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Canada, Coasting Trade, Royal
Commission on

C ROYAL COMMISSION ON COASTING
TRADE

Hearings

VOL 11-12

MONTREAL

SESSIONS

Pages 3425 to 3785 incl.

DATE COMMENCING OCT 7 - 1955

Supreme Court Reporters
145 Yonge St.
Toronto
Telephone Em. 3-1211
Locals 2824 and 2825



685811

2.10.58



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FRIDAY, OCTOBER 7, 1955

---On resuming at 10.05 A.M.:

MR. GERIN-LAJOIE: Mr. Chairman, subject to your direction, the order of submissions today might be, first, the Ore Company of Canada Limited; second, the Iron Ore Transport Company Limited; third, The Clarke Steamship Company; fourth, the Montreal Trades & Labour Council; and next, the Quebec Labour Council.

First, there will be the Iron Ore Company of Canada Limited and Mr. Hugh O'Donnell, Q.C., is appearing for the company.

SUBMISSION OF THE IRON ORE COMPANY OF CANADA
LIMITED

---Represented by Mr. Hugh O'Donnell, Q.C.

MR. O'DONNELL: Mr. Chairman and members of the Commission, I will be relatively brief. I had expected to have one of the Vice-Presidents of the company, but unfortunately he was unable to be present today, and rather than ask for a postponement or endeavour to re-arrange your program, I will venture to dispose of the briefs myself. They are relatively short.

The first one, Mr. Chairman, is that of the Iron Ore Company of Canada. I understand that the Commission is familiar with all the briefs and I will not, therefore, take the time of the



1 Commission to read it.

2 Roughly, the Iron Ore Company of Canada mines
3 ore and in connection with its operations has to dis-
4 pose of that ore and get it shipped and taken away
5 from Seven Islands. For the purpose of assisting
6 in doing that, the company built a dock at Contre-
7 coeur, which is down the river here a short distance
8 near Sorel. It is a dock which can handle about
9 two million tons of ore a year. For the purpose
10 of providing for transportation and not having to
11 rely on a year-to-year charter arrangement, in 1953
12 the company decided it must make firm contracts,
13 and it did that.

14 There are two referred to in the brief. The
15 first one referred to -- it is rather in reverse
16 order, Mr. Chairman -- the first one is an agreement
17 made in April, 1954 between the company and eight
18 Canadian shipping companies. That is for the move-
19 ment of ore from Contrecoeur to Lake Ontario and
20 Lake Erie ports. That agreement runs from 1955
21 to the end of 1964 and it is for a minimum amount
22 of 1,300,000 tons a year and a maximum of 2,000,000
23 tons.

24 The second agreement referred to in the
25 brief is one for the movement of the ore from
26 Seven Islands to Contrecoeur. That was entered
27 into in November, 1954 with a company called
28 Scandinavian Ore Tankers Incorporated. That agree-
29 ment relates to a movement which is strictly inter-
30 coastal and in that respect provides for the



1 use of ships of British registry. That agreement
2 runs from 1954 to the end of 1961 but may be termin-
3 ated when the St. Lawrence Seaway is completed.
4 Under my instructions I am to say that as and when
5 the Seaway is completed the agreement will be termin-
6 ated by reason of the fact it is presumed that the
7 rates which would prevail at that time would make
8 it a better proposition to cancel the agreement.
9 There is provision for that in the agreement.

10 Mr. Chairman, that is the position. The
11 Iron Ore Company would hope in the light of the fact
12 that these agreements and arrangements were made
13 under the laws as they were when the decision was
14 taken in 1953 and when the contracts were made in
15 1954, that if there were to be any change recommended
16 that at least an exception might be made in favour
17 of the Iron Ore Company in the light of the rights
18 which it had acquired, so to speak, under these ar-
19 rangements. That is all, Mr. Chairman.

20 COMMISSIONER WICKWIRE: Q. Both made in
21 1953?

22 A. The decision, Mr. Wickwire, was
23 taken in 1953. The contracts were entered into in
24 April, 1954, and November, 1954. The dates are
25 set out in the brief.

26 THE CHAIRMAN: Well, now, the only thing necessary,
27 if such legislation were enacted, would be a saving
28 clause until your Scandinavian Ore Tankers con-
29 tract was terminated because the others are all
30 Canadian ships, are they not?



1 A. That's right, my lord. They are ships
2 that can move through the present Canal System.

3 Q. I suppose there is nothing to prevent
4 them using larger ships?

5 A. No, if ultimately those Canadian com-
6 panies could use larger ships.

7 Q. This dock at Contrecoeur -- this is for
8 my own personal information -- that is only for trans-
9 shipping from one bottom to another? There are no
10 storage facilities there?

11 A. That's right. The prime purpose was
12 to provide for transshipment, as you say.

13 Q. As we came up the river we noticed
14 there was no railway in there at all.

15 A. No, I don't think there is as yet.

16 COMMISSIONER WICKWIRE: We couldn't see it,
17 anyway.

18 A. No.

19 MR. GERIN-LAJOIE: Q. I wonder if you could
20 give the Commission the full pattern of movement
21 of ore from your company? Does all the ore go
22 from Seven Islands to Contrecoeur, or is that only
23 part of it?

24 A. Only part of it. In the other brief
25 which I have to submit in a few moments a large
26 portion of the ore will go to Atlantic ports.

27 Q. Would you be in a position to men-
28 tion what proportion?

29 A. The owners of the ore will determine
30 as and when they take delivery what route they want



1 to ship by, but here this brief deals with two million
2 tons a year. That is what the Contrecoeur dock
3 handles.

4 THE CHAIRMAN: Q. You said the owner. Do
5 you mean the purchaser?

6 A. The ore is delivered f.o.b. ship at
7 Seven Islands. The Iron Ore Company sells ore to a
8 number of steel companies.

9 MR. GERIN-LAJOIE: Q. When you mention At-
10 lantic ports, would they be American Atlantic ports?

11 A. Principally, unless we found some pur-
12 chasers in Canada for the ore, but I think the Dominion
13 Coal and Steel has its own supply. Generally, that's
14 right, it goes to the American steel companies.

15 Q. At present -- I know it may change in
16 the future or the very near future -- but at present
17 does your company ship to Atlantic American ports a
18 substantial portion?

19 A. Oh, yes.

20 Q. Could you mention the amount?

21 A. We set out here that the present pro-
22 gram is approximately 10,000,000 tons of ore a
23 year. That is for the Iron Ore Company itself.
24 Then, the concession companies from which the Iron
25 Ore Company obtained the right to mine, the conces-
26 sion companies, it is expected, may have a million
27 to two million of their own ore. So there is a
28 potential there this year under the program as
29 presently contemplated of eleven to twelve million
30 tons. All that this brief that I have just



1 referred to deals with is that portion of the ten
2 or twelve million tons which will be shipped via the
3 Contrecoeur dock or in connection with the Contre-
4 coeur dock, which is equipped to handle about two
5 million tons a year.

6 THE CHAIRMAN: Isn't it contemplated on the
7 completion of the Seaway a much larger proportion
8 will go straight west through the Seaway and Lakes?

9 A. I would think that is correct, Mr.
10 Chairman.

11 MR. GERIN-LAJOIE: Q. Are you in a posi-
12 tion to say more fully what changes you contemplate
13 in the movement of iron ore from your company after
14 the Seaway is completed?

15 A. No, I am not.

16 THE CHAIRMAN: Q. That is a decision of the
17 purchasers, isn't it?

18 A. That's right. The purchasers take
19 the iron ore at the dockside at Seven Islands. They
20 direct how it is to be shipped. They arrange for
21 their bottoms. In the next brief it is set forth
22 that the Iron Ore Company acts as agent for them,
23 but the purchaser is to direct as to that.

24 MR. GERIN-LAJOIE: Q. In your brief you
25 refer to a contract with the Scandinavian Ore Tan-
26 kers Inc. Are you in a position to tell the Com-
27 mission what is the background of that contract
28 in order to explain as to the difference in costs
29 or rates of such a corporation as opposed to a
30 Canadian corporation?



1 A. Well, the difference in rates, I take
2 it, is due to the fact that while the contract is
3 made with the Scandinavian Ore Tankers Inc. it does
4 provide that the ships shall be ships of British
5 registry, and all the benefits that go with that opera-
6 tion will accrue in this instance.

7 Q. But you don't know what difference
8 there
9 in the rates [^]would be as between that corporation
10 and other Canadian corporations operating Canadian-
11 registered ships?

12 A. No, I haven't any detailed information
13 on that, but I think what is generally accepted is
14 that ships operating under British registry do have
15 more beneficial wage rates and that type of thing
16 insofar as the owners are concerned, that is, they
17 can operate more cheaply. I haven't any more detail
18 on that. I would assume the Commission may have
19 heard that story a number of times so far.

20 Q. Yes, we have had such general state-
21 ments of course and some figures, but we would like
22 as precise figures as possible. However, you say
23 you have not such figures.

24 A. No, I haven't.

25 Q. I believe the Commission would
26 appreciate having copies of these contracts if you
27 wish the Commission to have them.

28 A. If the Commission desires that I
29 arrange to provide them, I will be glad to do so,
30 if you require them.

THE CHAIRMAN: I don't think that is



1 necessary.

2 MR. GERIN-LAJOIE: Q. That is all in connec-
3 tion with that brief.

4 THE CHAIRMAN: The Iron Ore Transport Limited
5 is next.

6
7 SUBMISSION OF THE IRON ORE TRANSPORT COMPANY
8 LIMITED

9 ---Represented by Mr. Hugh O'Donnell, Q.C.

10
11 MR. O'DONNELL: May it please your lordship
12 and members of the Commission, this again is a very
13 short brief. It sets out that the Ore Transport
14 Company Limited is a Canadian corporation that was
15 formed by five of the steel companies which are part-
16 ners in the Iron Ore Company venture. It was formed
17 for the purpose of acquiring and operating ships to
18 assist in the transportation of ore from Seven
19 Islands to Atlantic ports and Contrecoeur. In that
20 connection the company arranged for ---

21 THE CHAIRMAN: Just a moment. So I may
22 understand it, this company acts as agents --
23 perhaps as partners in the venture -- but also for
24 purchasers of the ore?

25 A. This company is owned by five steel
26 companies who are partners together with several
27 more, people who are interested in the Iron Ore
28 Company of Canada. Now, this company was formed
29 by these five companies, these five steel compan-
30 ies, for the purpose of seeing to it that there



1 would be adequate transportation available for the
2 shipment of the ore from Seven Islands to Atlantic
3 ports and to Contrecoeur. For that purpose the
4 company contracted for two 31,000-ton ore ships
5 which are being built in the United Kingdom under
6 contracts which were made in 1951.

7 Now, these ships are designed primarily for
8 transportation to the Atlantic ports, but it might
9 be necessary intermittently to use them on the run
10 from Seven Islands to Contrecoeur. They are too
11 big to go through the present Canal set-up and they
12 are not designed for passage through the Seaway
13 ultimately. They are designed primarily for the
14 Atlantic port runs and from Seven Islands to Contre-
15 coeur as and when it might be necessary to use them
16 in that regard.

17 COMMISSIONER WICKWIRE: Would they go through
18 the deepened channel?

19 A. They can come as far as Contrecoeur.

20 Q. On completion of the Seaway could
21 they go through?

22 A. I don't think they can. They are
23 not designed to go through.

24 THE CHAIRMAN: Q. What is their draught?

25 A. That, Mr. Chairman, I would be at
26 a loss to tell you. The brief states the said
27 ships are not designed to pass through the St. Law-
28 rence Seaway.

29 The intention, as I understand it, is not
30 to use them for anything beyond Contrecoeur but to



1 have them operate on the Atlantic port run.

2 COMMISSIONER WICKWIRE: Q. Could you obtain
3 that information?

4 A. Yes, I could.

5 Q. Beam, draught and length.

6 A. Very well. Now, the Iron Ore Company
7 has contracted with other carriers for a maximum of
8 1,400,000 tons per year on this run from Seven
9 Islands to Contrecoeur, and the dock having a capa-
10 city of 2,000,000 tons, the additional 600,000 is
11 what these two ships might be used for.

12 I would just mention this, Mr. Chairman, that
13 the use of these ships will be restricted to the ore
14 belonging to the owners and to those who are inter-
15 ested with them as partners and associates. It is
16 not intended that they should be used on a common
17 carrier basis.

18 Here, again, Mr. Chairman and members of the
19 Commission, it is felt in the light of the fact
20 that these contracts for the construction of the
21 ships were made in 1951 under the then prevailing
22 laws, that it would not be unreasonable to hope
23 that the Commission might, if the law were to be
24 changed, recommend an exception in favour of these
25 ships. That is all I have to say, Mr. Chairman
26 and members of the Commission.

27 MR. GERIN-LAJOIE: Q. Mr. O'Donnell, do
28 you know if these ships are nearing completion?
29 Or when do you expect them to be completed?

30 A. I would think they might be available



1 about the end of 1956 or in 1957. I can get the
2 exact information on that. I don't know what the
3 progress has been.

4 Q. That is sufficient, I believe. Do
5 you know what registry they would be entered under?

6 A. I would assume they would certainly be
7 on British registry.

8 THE CHAIRMAN: They cannot be on anything
9 but British or Canadian registry.

10 A. That's right.

11 MR. GERIN-LAJOIE: Unless they were brought---

12 THE CHAIRMAN: I say either British or
13 Canadian registry.

14 MR. GERIN-LAJOIE: That is what I had in
15 mind.

16 A. The Iron Ore Transport Company Limited
17 is a Canadian company and the ships are being built
18 in the United Kingdom. I would think they would stay
19 on British or Canadian registry.

20 MR. GERIN-LAJOIE: That is all, Mr. Chairman.

21 Mr. Chairman, I would like to point out, as
22 Mr. O'Donnell has explained, he is not in a position
23 to give any details as to the movement of ore out
24 of Seven Islands, and we as counsel would like to
25 reserve the right of the Commission to ask for fur-
26 ther information. Perhaps there is no necessity
27 for such a reservation, but we would like to have
28 some further information on the movement of ore if
29 the need arises.

30 A. We will be glad to give any



1 information that is required. Generally speaking,
2 the ore goes to the purchasers who are principally
3 at this point American steel companies, either via
4 Atlantic ports or through the Lakes. And I would
5 imagine if they find any customers on the Continent
6 who are willing to buy it from time to time, they
7 will also sell there.

8 COMMISSIONER WICKWIRE: But they have all
9 been contracts f.o.b. Seven Islands?

10 A. Yes. I think that is possibly a hedge
11 against an increase in freight rates.

12 THE CHAIRMAN: Q. It is significant to me
13 that ships ordered in 1951 being built in the United
14 Kingdom are only so far built that you don't expect
15 them until 1956 or perhaps even 1957.

16 A. I will get the exact information on
17 those, Mr. Chairman. I will get the exact details
18 on that.

19 Q. It confirms some other information we
20 have had as to requests for fixed delivery dates
21 if a contract were let in the United Kingdom.

22 A. I know they have had trouble trying
23 to progress the construction of them for various
24 reasons.

25 THE CHAIRMAN: Thank you very much.

26
27 ---Witness withdraws.
28
29
30



1 MR. MUNDELL: The next brief, Mr. Chairman,
2 is B-68, a submission on behalf of Clarke Steamship
3 Company Limited and certain related companies. Mr.
4 Brock Clarke is appearing on behalf of the company.

5
6 SUBMISSION OF THE CLARKE STEAMSHIP COMPANY
7 LIMITED and certain related companies.

8 ---Represented by Mr. Brock Clarke.

9
10 MR. CLARKE: Mr. Chairman, I am appearing
11 for Clarke Steamship Company Limited and the assoc-
12 iated companies which are also signatories to the
13 brief, No. 68.

14 Generally, we advocate the restriction of the
15 coastal trade of Canada to Canadian-registered and
16 Canadian-manned vessels, but we have not advocated
17 the restriction to Canadian-registered vessels.

18 MR. MUNDELL: Q. I take it you mean Canadian-
19 built?

20 A. Canadian-built, I am sorry. Yes,
21 Canadian-built vessels. Although we do advocate cer-
22 tain proposals to induce Canadian shipowners to
23 build their vessels in Canada and we will give
24 these proposals in more detail in our evidence.
25 We propose to call three witnesses. The first will
26 be Mr. D.A. Clarke, the President of the company,
27 who will give a general background of the services
28 performed by these companies. Next, Mr. J. Hutche-
29 son, Assistant Traffic Manager, who will deal with
30 rates to Newfoundland. And Mr. S.D. Clarke,



1 General Manager, who will deal with operating matters
2 and set forth the general position of these companies.

3 In our presentation we will give a good deal
4 of time and attention to the Newfoundland trade
5 which forms one part of the trade carried on by
6 these companies. That will be for two reasons:
7 one, this particular trade has been dealt with at
8 some length before the Commission, and many state-
9 ments have been made, and we would like to present
10 our own evidence not necessarily in correction, but
11 to elaborate on other evidence that has been pre-
12 sented before the Commission.

13 Secondly, it is this trade which so far as
14 we are concerned at any rate has felt the greatest
15 impact from the competition of British ships. Now,
16 that doesn't mean that the other trades in which
17 we are engaged or other Canadian shipowners are
18 engaged may not be affected either presently or
19 in the future by similar competition, and that
20 similar considerations would apply to the matters
21 which we will bring before the Commission. For
22 instance, it is quite conceivable that in the
23 near future, particularly with the development
24 of the Seaway, British vessels may be engaged in
25 carrying goods to such ports on the North Shore
26 as Forestville, Baie Comeau, Seven Islands, and
27 Havre St. Pierre, which are all now large indus-
28 trial centres although a few years ago such was
29 not the case. Three of them have been developed
30 since the war, and Baie Comeau was developed in



1 the late '30s.

2 I will now call upon Mr. D.A. Clarke, President
3 of the Company.

4 MR. MUNDELL: Mr. Chairman, we had a short
5 discussion on the procedure to be followed in connec-
6 tion with this presentation. I thought, subject to
7 your direction, that we might ask the company to
8 put in its whole case before we ask any questions,
9 so as to avoid the possibility of repetition by anti-
10 cipating a later witness. If that is agreeable
11 with you, Mr. Chairman?

12 THE CHAIRMAN: Yes.

13 MR. MUNDELL: Is that agreeable to you,
14 Mr. Clarke?

15 MR. BROCK CLARKE: It is certainly agreeable
16 to me, as I told you before, Mr. Mundell.

17
18 MR. D.A. CLARKE, called.

19
20 MR. BROCK CLARKE: Mr. Clarke, will you state
21 your position?

22 A. Mr. Chairman and members of the Com-
23 mission, I am President of the Clarke Steamship
24 Company and have actually been the President for
25 some thirty-five years when the company was formed
26 in 1921.

27 Q. Could you outline, briefly, the back-
28 ground of the services performed by Clarke Steam-
29 ship Company and associated steamship companies?

30 A. Well, the Clarke family has been



1 interested in the North Shore for three generations.
2 My father and his brothers formed the company and
3 went to the North Shore first in 1898, and then in
4 1902 formed the North Shore Power, Railway and
5 Navigation Company for the building of a mill, rail-
6 way and town which was later known as Clarke City,
7 some three hundred miles below Quebec. This was the
8 first industrial development on the North Shore. In
9 fact, at that time there was practically nothing but
10 fishing and trading along the North Shore in the
11 stretch from the Saguenay down to Blanc Sablon. At
12 that time there was a very mediocre steamship com-
13 pany with intermittent service from Quebec to the
14 North Shore, and my forefathers found it difficult
15 to get their goods transported for the building of
16 the mill and for its operation, and they bought two
17 small freighters and operated them as they required
18 between Quebec and Clarke City.

19 The service to the North Shore at that time
20 was rather hazardous. It was not very regular. In
21 fact, actually my own personal experience when I
22 was, I think, aged twelve, our whole family, my
23 father and mother and my three brothers and sister
24 started out from Quebec to go to Clarke City in
25 the summertime and we finally ended up that evening
26 on the rocks in the Lower Traverse. I think the
27 captain was a little bit under the weather and
28 father had to stay up with him all night to keep
29 him from doing something that should not be done.
30 Finally, at daylight in the morning we were taken



1 off the wrecked ship by a wrecking ship and finally
2 we arranged for a Government boat -- rather, my
3 father did -- to take us to Clarke City. That was
4 my first experience in going to Clarke City.

5 At that time, as I say, the service was rather
6 hazardous. That continued for some time. In fact,
7 I think two companies that were operating that
8 service went into liquidation and finally, at the
9 end of 1920, the company that was operating went
10 into liquidation and the Government, on account of
11 the Clarke family's interest in the Lower St. Law-
12 rence asked us if we would be interested in estab-
13 lishing a service to the North Shore of the St.
14 Lawrence. We said we would be very glad to go into
15 it. And we did form, in 1921, the Clarke Steamship
16 Company and started to operate at that time two
17 ships, one to the North Shore from Quebec and the
18 other to the Gaspé Coast.

19 From that small beginning our horizons gradu-
20 ally widened until we took in the whole of the Gulf
21 of St. Lawrence and Newfoundland. In 1929, al-
22 though navigation on the St. Lawrence in the
23 wintertime is very hazardous, in fact the only ser-
24 vice they had to the North Shore was once or twice
25 a year when they had a Government ice-breaker and
26 the rest of the time the mails had to be taken
27 down by dog team, which took at least three weeks
28 for the mail to arrive -- at that time, of course,
29 there was no airmail or air service of any kind.
30 However, we had a very able commodore of our fleet,



1 Captain Bushy, whom we almost said could smell the
2 weather. He thought that we could operate a service
3 in the wintertime along the North Shore. And in
4 1929 we organized a regular service, not from Quebec
5 but from Murray Bay, Pointe au Pic, as far as Havre
6 St. Pierre, calling at the different ports along the
7 route. Of course, sometimes we were unable to go
8 to all the ports because the ice would be too thick
9 in there. For instance, the bay of Seven Islands
10 sometimes would be frozen over. We had to arrange
11 to anchor out in the Islands because down here there
12 are islands -- that is why it is called Seven Islands
13 -- there are seven islands which protect the harbour
14 there. They had to land the freight and passengers
15 on the ice and they were taken ashore by cometick
16 or by horses. In 1926 we built the Northland and
17 put it on cruises to the St. Lawrence, Gaspé Coast,
18 Newfoundland, Labrador, and it carried some freight
19 but mostly passengers. The new Northland was
20 joined in 1938 by another cruise ship, the North
21 Star, which also took in additional ports of New-
22 foundland and Labrador, and actually also ran to
23 Halifax and Boston and New York.

24 These ships in the wintertime were kept
25 employed and we kept our crews employed, which
26 was most important, in services in the West Indies,
27 from Miami, Nassau, Jamaica, Haiti, Havana, etc.

28 These ships, when war came, World War II,
29 were taken over by the Government. The new North-
30 land became a troop carrier, and the North Star



1 became an auxiliary cruiser in the Canadian Navy.

2 I am very proud to say that both of these ships had
3 an excellent war record.

4 Shortly before the war we built the North
5 Gaspe in a Canadian yard for our service on the
6 South Shore. After the war we took over four addi-
7 tional Canadian-built ships for our St. Lawrence
8 service.

9 By 1930 the traffic between the North Shore
10 of the St. Lawrence, particularly around Rimouski
11 and Matane to the North Shore, in the way of farm
12 produce, and also as a result of the employment of
13 men from the South Shore to go the industrial
14 centres of the North Shore, was becoming quite ex-
15 tensive. At the request of some business interests
16 of Rimouski and Matane to the effect that we link
17 up with them and form a company to take care of
18 this expanding service, particularly because of the
19 development along the North Shore, in 1930 we formed
20 with them the Cie Transport de Bas St. Laurent,
21 which operates a regular service from Rimouski and
22 Matane to North Shore ports all the way down to
23 Seven Islands. In fact, this year we have exten-
24 ded that service as far as Havre St. Pierre.

25 In order to take care of this service
26 there were some small ships operating there. We
27 built three vessels, one in England, a diesel
28 ship, and two in Canada. These ships were all
29 built especially for that particular service to
30 carry passengers, mail and freight. One year



1 -- the top year -- we carried over 60,000 passengers
2 from the South to the North Shore and vice versa
3 on that particular service. So we think it is quite
4 a necessary service for serving both coasts.

5 Also in 1930 we were approached by some busi-
6 nessmen of Riviere du Loup and the vicinity to take
7 over the service, a motor car service, from Riviere
8 du Loup to Tadoussac, and St. Simeon. In 1930 in
9 conjunction with these businessmen we formed the
10 Riviere du Loup and St. Simeon Ferry Company to
11 operate this service. We took over a ship at that
12 time and have since replaced it with a new ship for
13 that particular service.

14 Coming to Newfoundland, our decision to go
15 to Corner Brook, Newfoundland, was brought about by
16 a friend of mine, Mr. Bishop. They were going to
17 build a paper mill at Corner Brook on the west
18 coast of Newfoundland. Mr. Bishop was approached
19 as one of the main contractors to build the dam
20 and some other things at this new mill, and he
21 approached us to see if we could transport his equip-
22 ment for the building of this mill, cement mixers
23 and other things, to take them down to Corner
24 Brook. We arranged to take this down on one of
25 our ships, and Mr. Bishop and myself accompanied
26 this shipment. We could not go to Corner Brook
27 because at that time Corner Brook was just a
28 small village. It had no dock facilities, it had
29 nothing, so we unloaded the equipment at Port aux
30 Basques, some ninety miles from Corner Brook. Then



1 Mr. Bishop and I went to Corner Brook. I looked
2 around Corner Brook. It had possibilities. I
3 could visualize the possibilities of Corner Brook
4 developing into quite a large town because there
5 was nothing there at that time. And I then went
6 to St. John's, Newfoundland, and arranged a meeting
7 with the then Prime Minister of Newfoundland, Sir
8 Richard Squires, and his Cabinet, and suggested to
9 them a plan for our establishing a regular service
10 to the west coast of Newfoundland.

11 Sir Richard Squires and his Cabinet welcomed
12 the idea as they were very anxious to develop the
13 west coast. At that time actually St. John's was
14 the whole centre of Newfoundland except at Grand
15 Falls, where there was a pulp mill, everything was
16 centred around St. John's. And they were very
17 anxious that something should be developed on the
18 fertile country of the west coast of Newfoundland
19 in the Humber district around Corner Brook. In
20 fact, I think Sir Richards' slogan at that time was
21 to put "hum" into the Humber, in other words, to
22 develop the Humber and make it hum.

23 I arranged when I came back to Corner Brook
24 with my friend, Mr. Bishop, to see if he would in
25 turn build a small dock at Corner Brook and a
26 shed so we could start operations, and we did start
27 operations, putting in a regular service to Corner
28 Brook. I think that was in the year after, 1923.
29 We have actually been operating a regular service
30



1 manned by Canadian crews ever since that time. That
2 is thirty-one years. And even during the difficult
3 war period we continued a regular service and took
4 care of the needs of Corner Brook, which in turn
5 supplied the west coast on up to Grand Falls and
6 Buchans, and so on.

7 In 1934 the Clarke Steamship Company organized
8 a goodwill radio cruise to St. John's, Newfoundland
9 on board our cruise ship, the New Northland. The
10 idea was to foster -- it was almost in the centre
11 of the depression, which was world-wide and affecting,
12 of course, Canada as well -- we organized it with
13 the idea of fostering trade. We felt it was neces-
14 sary to develop more trade for Canada, and we felt
15 that a goodwill trip to Newfoundland might foster
16 more trade for Canada, and we put on this cruise.
17 And from that ship there emanated the first broad-
18 cast that was ever made from Newfoundland to Canada.
19 Our Minister of Trade and Commerce in Ottawa -- I
20 think it was Sir George Foster at that time --
21 participated in this cruise. He spoke over the
22 radio from Ottawa to Newfoundland. And Mr. Alder-
23 dyce, who was then the Prime Minister of Newfound-
24 land, spoke back to Ottawa and we think that per-
25 haps that may have been a little bit of the seed
26 of the present Confederation between Canada and
27 Newfoundland.

28 In 1946, shortly after the war we estab-
29 lished a regular service to St. John's, Newfound-
30 land from Montreal in the summer, and from



1 Saint John, New Brunswick and Halifax in the winter-
2 time. That has developed into a very important
3 service.

4 In 1945 we bought the Pictou -- Charlottetown-
5 Magdalen Islands service. It was a small service
6 operating there. I think, in fact, the Commission

7 happened to go on board the little Magdalen
8 when they were in Charlottetown. I must say it is
9 not the pride of the Clarke Steamship fleet. It
10 is quite an old ship. We took it over as a fairly
11 old ship. It is one of the things that when this
12 question -- and we hope the question will be decided
13 favourably -- of Canadian ships being protected on
14 Canadians coasts, we hope that that will be one of
15 the ships that will be replaced by a better and
16 more up-to-date ship.

17 As more and more ships were required for
18 these expanding services, more and more men were
19 required to man these ships, just as fifty years
20 ago we trained men to produce wood into pulp for
21 paper; that was, fishermen who knew nothing of manu-
22 facturing. In thirty-five years we have had to
23 train men to man our ships. And I must say we
24 have trained principally fishermen from the coast,
25 from the little villages along the North Shore,
26 the Gaspé Coast, the Magdalen Islands, some from
27 Newfoundland, most of them French-Canadians,
28 and we are very proud today that we have three
29 generations who have come up with us and are com-
30 ing up in the manning of our ships. We have



1 done a great deal, I think, in producing from French-
2 Canadians able, not sailors and oilers only, but our
3 captains, our chief engineers, our officers to man
4 our ships, and by development of training aboard
5 our ships by our officers of our men and also by
6 encouraging these young men to take training as much
7 as possible in the wintertime if they are not employed
8 so that they will get officers' certificates, start-
9 ing perhaps as third officer, and then up-grading
10 them so that finally they become a captain or a
11 chief engineer on board our ships.

12 We feel we have done a great deal with our
13 ships, not only on our services here in the St.
14 Lawrence in the summer, but also our services when
15 those ships go out in the wintertime. A lot of
16 the French-Canadian sailors had no experience in
17 deep-sea, no experience outside of the confines of
18 the St. Lawrence, and we feel by our ships going
19 out in the winter, our cruise ships that we send
20 South, and so on, it has done a great deal to raise
21 the standard of, principally, the French-Canadian
22 mariners. We feel that today they have reached
23 a very high efficiency.

24 I must say that our employee-labour rela-
25 tionship has been excellent. I wish to touch
26 wood, as I might say, but we have never had any
27 trouble, any strikes, any trouble with our crews
28 and our labour. We feel perhaps that we are
29 like a family. We call it the "House of Clarke".
30



And I think they are all proud to belong to that

House, and they are all ambitious to see that House grow as it actually has grown over the past thirty-five years and, we hope, with the coming generation will grow still further.

Our problem today is: Are these men to have their heritage taken from them by unequal competition provided by British ships? Or are they going to be protected so that they in turn -- and they have the ambition -- may carry on and expand our Canada?

This brings us to the present, Mr. Chairman. We are naturally very concerned as to the future. I will, therefore, leave it to the younger generation to present the details of our case. Thank you very much, Mr. Chairman.

---Witness withdraws.

MR. BROCK CLARKE: The next witness will be Mr. James Hutcheson, Assistant Traffic Manager, Clarke Steamship Company Limited.

MR. JAMES HUTCHESON, called.

MR. BROCK CLARKE: Q. Mr. Hutcheson, will you state your full name and your position?

A. I am Mr. James Hutcheson, Assistant Traffic Manager, Clarke Steamship Company Limited.

Q. Could you outline the developments respecting the Newfoundland service and the rates



J. Hutcheson

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1
2 on that service commencing just prior to the union
3 of Newfoundland with Canada in 1949 up to the present
4 time?
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1 A. Mr. Chairman and Commissioners, prior
2 to 1949 steamship companies operating to Newfound-
3 land published a regular steamship tariff which
4 took into consideration the various factors affecting
5 freight rates as well as negotiations with shippers
6 and consignees. Freight rates are normally based
7 on the nature of the commodity to be shipped, dis-
8 tances involved, time and labour cost of handling,
9 stowage factor, value, type of packing, type of
10 ship required, etc.

11 At that time the railways on the mainland
12 had in existence special furtherance rail rates
13 from inland points to seaboard ports such as Montreal,
14 Saint John, New Brunswick; Halifax, Nova Scotia; and
15 North Sydney, Nova Scotia, applicable on traffic
16 for furtherance to Newfoundland, but otherwise the
17 rates were entirely separate and apart from the
18 steamship rates from such seaboard ports to destin-
19 ation.

20 As is the usual practice in export cargo ser-
21 vices, marine insurance was not included in the
22 rate but was placed by shippers and/or consignees
23 who paid this cost in addition to the regular
24 freight rate.

25 On April 1st, 1949 Newfoundland became a
26 Province of Canada and the Canadian National Rail-
27 ways, on direction from the Federal Government and
28 in accordance with terms of Union, projected their
29 mainland rail traffic to include the new Province
30 based upon formulae already in existence in respect



1 to other Provinces of Canada but treating through
2 traffic moving between North Sydney and Port aux
3 Basques, as all-rail traffic.

4 This brought into existence an entirely new
5 pattern of rate structure which caused the steamship
6 companies to abandon their regular steamship tariffs
7 and, in order to remain competitive, to set up a
8 new structure which would conform to the new pattern
9 based along the lines of railway tariffs, but at
10 a differential below the all-rail rate. Moreover,
11 to be competitive the rate had to include marine
12 cargo coverage, the cost of which had to be absorbed
13 by the steamship carrier. The expense of providing
14 such insurance on our traffic to Corner Brook and
15 St. John's in 1954 amounted to about \$63,000.

16 Q. Is this for the Clarke Steamship and
17 associated companies?

18 A. Definitely. That is an expense to
19 the carrier of approximately \$63,000.

20 The new tariffs put into effect in 1949 by
21 the shipping companies brought about reductions in
22 the steamship company rates varying from 10 percent
23 to 60 percent, depending on the commodity, but I
24 think you can place the over-all drop at an esti-
25 mated difference of approximately 25 percent.

26 However, the new steamship rates did enable
27 us to secure cargo originating in Montreal or
28 vicinity, but did not place us in a competitive
29 position with the railroad in connection with
30 traffic originating from inland points west of



1 Montreal. Through rates were then in existence from
2 all Canadian points to Newfoundland, and the combina-
3 tion of local rail rates to Montreal plus steamship
4 charges beyond were higher than the through rate.
5 Therefore, the steamship company was not competitive.
6 If the steamship company quoted a rate equalizing
7 the all-rail rate from inland points to Newfoundland
8 and allowed the railway their full local rate to
9 Montreal, the balance of rate remaining to the
10 steamship company was not sufficient to cover the
11 costs of handling and carriage.

12 Fortunately, three things happened: Confedera-
13 tion did bring a large increase in the volume of
14 Newfoundland traffic from mainland points which
15 helped immeasurably; secondly, we were able to
16 negotiate a through rate agreement with the Canadian
17 Pacific Railway, who did not have entry to Newfound-
18 land traffic and thus, by arranging a through rate
19 agreement with ourselves and others, then were able
20 to solicit and carry cargo destined to Corner Brook
21 and St. John's, Newfoundland. Then a similar agree-
22 ment was concluded with the Canadian National Rail-
23 ways, as it was found that existing rail facili-
24 ties through the North Sydney, Port aux Basques
25 artery were not sufficient to handle the increased
26 traffic to Newfoundland. The through rates in
27 the agreement were exactly the same rates as the
28 Canadian National Railway rates to Corner Brook
29 and St. John's. These agreements simply provided
30 for participation by our company in traffic which



1 must originate by rail and a division of the through
2 rate by the carriers. Any steamship company opera-
3 ting to Newfoundland which is ready to sign and
4 live up to the terms of this agreement can make a
5 similar agreement with the railway, namely, G. T.
6 Murphy & Sons Limited.

7 Others have done it. The Allied Steamship
8 came in in 1953, I believe, and Murphy & Sons also
9 participated in such an agreement in 1953 and in
10 1954.

11 The through rate agreement with the railways
12 brought substantial benefits to shippers and con-
13 signees. The cost of freight handling at trans-
14 shipment points was included in the rate. This
15 also included top wharfage charges at loading point,
16 whereas previously this was charged additionally in
17 the terminals charge. Later, top wharfage charges
18 at destination were likewise absorbed, whereas
19 previously this was charged additionally. Marine
20 insurance on all shipments is now effected by the
21 steamship company, whereas prior to Confederation
22 marine insurance was effected by the shippers and
23 consignees, who paid this cost as the normal prac-
24 tice in steamship services.

25 Local rail bills of lading issued by ship-
26 pers at inland points of origin now cover shipments
27 through to destination, thereby relieving the ship-
28 pers of the necessity of procuring either through
29 export bills of lading from foreign freight de-
30 partments of the railroads or supplying the



1 steamship lines with additional ocean bills of lading
2 from port of transshipment.

3 Through rates can now be quoted from any
4 point on the mainland to Newfoundland, whereas pre-
5 viously it was necessary to obtain rail rates to
6 seaboard, add the railway terminal charges and obtain
7 the steamship rates from seaboard to Newfoundland.

8 It also has made available fast steamship ser-
9 vice from Montreal to Corner Brook and St. John's
10 on cargoes originating west of Montreal.

11 Now, if I may, I would like to comment on all-
12 water rates. For many years prior to Confederation
13 certain all-water services operated from time to
14 time from Great Lakes points direct to St. John's,
15 Newfoundland, and in competition with these services
16 we had a joint arrangement with the Canada Steamship
17 Lines and our tariffs were compiled to meet the
18 direct service. The Association is known as the
19 Lake Freight Association.

20 These arrangements of many years' standing
21 continued after Confederation with tariffs that also
22 conformed to the rail pattern but maintaining a
23 fixed differential below the all-rail and rail-and-
24 water rate. In 1949, direct service was again
25 operated from Great Lakes points to St. John's,
26 Newfoundland, at this time the operation being the
27 Newfoundland and Great Lakes Steamship Limited.
28 Since 1950 they have been employing British-regis-
29 tered vessels. A certain stability of tariff
30 actually was maintained, however, until 1953, when



1 a British operator, the Constantine Lines inaugurated
2 service from the Great Lakes to St. John's, New-
3 foundland, placing into service two more British-
4 registered vessels. Rates at this time became very
5 erratic and many commodities started to move on
6 what we would definitely consider as depressed rates.

7 Rates were stabilized after that, but on a
8 depressed basis, from this area, in 1954, at a lower
9 basis, when the Canadian National Railways published
10 water competitive rates to meet this competition,
11 and we were very glad to go along with the railways
12 and participate in these new water competitive rates,
13 as they permitted our company to participate in
14 traffic which otherwise would have been lost to us.

15 To bring us up to the present, I think all
16 rate structures were revised in March, 1955 under
17 the equalization of class rates effective at that
18 time. These rates under the equalization basis
19 seemed to be established on mileage blocks and had
20 the effect of increasing rates on cargo originating
21 west of Montreal but decreasing rates on cargo
22 originating in the vicinity of Montreal and east
23 thereof.

24 Q. I have here a statement which is
25 entitled "Rate changes, 1949 to 1955".

26 Would you tell us who prepared that state-
27 ment?

28 A. Oh, yes, this is a statement I pre-
29 pared to simply show the rate changes from 1949
30 to 1955, and to show the percentage of increases



over that period.

Q. Would you produce this exhibit?

A. Yes.

THE SECRETARY: No. 80.

---EXHIBIT NO. 80: Document indicating rate changes, 1949 - 1955, produced by Clarke Steamship Company Limited.

MR. BROCK CLARKE: Q. Would you explain the statement to the Commission?

A. Yes. This statement is divided into three groups, group A showing all-water rates to representative points from Windsor and Toronto on the Great Lakes; group B, all-water rates from Montreal; and group C, rail-and-water rates, either C.P.R. and Clarke or Canadian National Railways and Clarke.

The letter "C" shown against the rail-and-water rates for 1954 and 1955 simply identifies these rates as the competitive rates which were published at that time. I think it has been considered in the trade we are generally looked upon as a fifth class rate or class 45, as perhaps the most average rate, and that type is perhaps the most average movement, and I therefore have used only class 5 or 45 in these cases.

Q. What is the general freight increase throughout Canada during the period 1949 to 1955?

A. That is shown at the bottom of the statement, that the general freight rate increase was 63.7 percent.



1 The percentage of increases as shown in the
2 statement by the various groups actually average out
3 to something like 17.7 percent.

4 I think that is about all that can be said
5 in respect to this particular statement.

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1 Q. Now, I hand to you a graph which is
2 entitled "Fluctuations in freight rates, 1949-
3 1954".

4 Would you tell us what that represents?

5 A. This is simply a graph that was
6 prepared from the statement just shown there,
7 now classified as Exhibit 80 showing how the freight
8 rates had gone over the period from 1949 to
9 1954. One thing which is quite noticeable is
10 the sharp drop in freight rates in 1951. That
11 was brought about by the Newfoundland Freight
12 Rate Case.

13 Q. Before you continue, would you produce
14 this document?

15 A. Yes.

16 ---EXHIBIT NO. 81: Graph above referred to showing
17 fluctuations in freight rates
18 in the years 1949 to 1954.

19 Q. Would you continue your explanation,
20 Mr. Hutcheson?

21 A. As I said, the only noticeable thing
22 is a drop shown in 1951, brought about by the
23 Newfoundland Freight Rate Case, and I believe
24 the Board's order providing for a drop in freight
25 rates to Newfoundland.

26 Q. By whom was this graph prepared?

27 A. This graph was prepared in our office
28 under my supervision, and actually prepared from
29 the rates shown previously in what is now
30 Exhibit 80.



1 Q. Now, I show you another graph. Can you
2 give us a description of that, just the title
3 of it?

4 A. This is a graph showing the fluctuations
5 in charter rates, 1949 to 1954.

6 This is an actual graph which was prepared
7 by Harley Mullion & Company of London, England
8 who are agents for the sale, purchase and chartering
9 of ships, and this happens to be their publication
10 early this year.

11 COMMISSIONER WICKWIRE: Q. This is ocean
12 rates?

13 A. Ocean charter rates.

14 MR. BROCK CLARKE: Q. Would you produce the
15 graph as an exhibit, please?

16 A. Yes.

17
18 ---EXHIBIT NO. 82: Graph above referred to showing
19 fluctuations in charter rates
20 in the years 1949 to 1954 as
produced by Clarke Steamship
Company Limited.

21 Q. Can you draw any conclusion or have
22 you any comments to make in comparing the graph
23 which has been produced as Exhibit 81, showing the
24 fluctuations in freight rates, all-water rates
25 in Newfoundland from Montreal to St. John's
26 and Exhibit 82, which shows fluctuations in
27 charter rates for the same period?

28 A. Actually, the purpose in making up
29 these graphs in the first place was to show that
30



1 although the water rates to St. John's did not
2 vary a great deal and were quite stable over
3 this period, the charter market was erratic, with
4 terrific slumps and booms, and 1955 is coming up
5 again and it looks as if 1956 will be high.

6 In other words, even though the charter
7 market was very erratic, freight rates did
8 maintain certain stability.

9 Q. What conclusion, as a ship operator,
10 would you draw as to the desirability or otherwise
11 as to depending on charter only?

12 A. Well, it would not be very desirable
13 from our point of view, because we maintain
14 published operations, which must, for various
15 reasons, remain at a certain level, and therefore,
16 we could not find ourselves subject to the whims
17 of the charter market, which might rise up to two
18 points.

19 Q. When you say two points---

20 A. Two heights.

21 Q. I notice from Exhibit 82 that the
22 rates rose from a low of 40 in October, 1949 to
23 a high of 180 in January, 1952, which is four
24 and a half times, a difference of four and a half
25 times from the low to the high. Is that the
26 matter you were indicating?

27 A. That is correct.

28 Q. What effect would this have on the
29 cost of operating a service, using chartered
30



1 tonnage?

2 A. The effect on the cost of operating
3 chartered tonnage is that when the market rises
4 to this high level you are placed in the
5 uneconomical position with your ship hire costing
6 more than your actual freight revenue, and that
7 is not desirable, because rates must maintain
8 a certain stability and we cannot depend solely
9 on the chartered markets for ships which we must
10 use.

11 Q. Could you outline to the Commission
12 the factors which, in your opinion, influence
13 the freight rates to Newfoundland?

14 A. Yes. There are actually four main
15 factors influencing freight rates to Newfoundland.
16 The most important factor controlling rates to
17 Newfoundland is the published tariff of the
18 Canadian National Railways. This tariff
19 established a ceiling on rates and it would not
20 be prudent for another carrier to endeavour to
21 secure cargoes at rates higher than this published
22 tariff.

23 Secondly, we have the competitive features
24 which arise from time to time in connection with
25 the freight originating outside the Dominion of
26 Canada. Due to fluctuations in currency or other
27 influences it is found that certain commodities
28 originating outside of Canada can be landed in
29 Newfoundland duty paid at a landed cost less than
30



1 the same commodity or article manufactured in
2 Canada. When this happens all such cases are
3 given serious study and, if possible, freight
4 rates are adjusted in order to protect the
5 Canadian manufacturer and retain the transportation
6 of the goods for our own service .

7 Then a most important factor is that the new
8 pattern of freight rates established in 1949
9 permitted the pooling of freight by pool car
10 operators, who consolidated less than carload
11 shipments and tendered them to the steamship
12 carriers as cargo lots.

13 Q. Perhaps the Commission is familiar
14 with pool car shipments, but perhaps you might
15 explain that.

16 A. The pool car operator simply assembles
17 less than carload lots and tenders them to the
18 carrier as carload movements. He pays a cargo
19 rate and charges the shipper or his customer
20 something less than L.C.L., but something higher
21 than carload, so he makes his little profit.

22 Q. When you say "L.C.L.", those initials,
23 I presume, mean---

24 A. Less than carload lots.

25 Q. Can you explain also: in railway
26 operations, what is meant by carload lots and
27 less than carload lots? Does a different rate
28 apply to the two types of shipments?

29 A. Yes, freight moving under the carload
30



1 basis is subject to a minimum rate of 24,000
2 or 30,000 pounds, etcetera, and is protected with
3 a lower classification. In other words, a lower
4 rate would apply. A similar article or commodity
5 moving in less than carload shipments would be
6 rated under a higher classification or at a higher
7 rate.

8 Q. So that you can sum it up by saying
9 that these documents gather together the shipments
10 which would normally have to pay the higher tariff
11 and submit them as a carload lot to the railway
12 and obtain a lower tariff, and for this they keep
13 for themselves part of the difference and pass
14 on to their client, that is the shipper, the rest
15 of the difference?

16 A. That is exactly the setup.

17 Now, I think this is the next influence:
18 In 1949, prior to the recognition of direct
19 service from Great Lakes ports to Newfoundland,
20 the pool car service was in operation via/all-water
21 route of Canada Steamship Lines and Clarke
22 Steamship Company and the railways and Clarke
23 Steamship Company from Montreal. The new services,
24 therefore, commencing from Great Lakes ports
25 to Newfoundland had two courses of action open to them:

- 26 1. They could solicit pool car operators
27 for their freight or,
28
- 29 2. They could establish rates competitive
30 with the pool car operators.



1 And it seems from our observation that the second
2 course was taken and that the service in 1949 and
3 1950, which actually established rates in competition
4 with the pool car operators, was adopted. This
5 seems to be so when we compare the tariff of
6 Muirhead Forwarding Company, a pool car operator,
7 with the rates charged by the Newfoundland-
8 Great Lakes Steamship Company for the year 1952.

9 Canada Steamships and Clarke Steamship
10 Company participated in the Lake Freight
11 Association and the rates were as follows:

12 Class 1, 309; the pool car operator, 289.

13 Class 2, it was 269 and the pool car
14 operator 254.

15 Class 3, we published 236 and the pool car
16 operator 224.

17 Now we have never been able to secure a
18 copy---

19 Q. First of all, would you go on with
20 that?

21 A. Yes, Class 4, 195 and the competitive
22 figure was 192, and in Class 5 it was 154 as
23 against 154.

24 Q. Can you tell us what type of traffic
25 principally is carried by yourself on your all-
26 water route or in conjunction with C.S.L.?
27 Would you give it to us under 1, 2, 3, 4 and 5,
28 in general?
29

30 A. Our freight would come under 4 or 5.



1 That would certainly take 95 per cent of our
2 traffic.

3 Q. And from the figures you have given
4 I note that classification 5 are identical,
5 that is the Lake Freight Association tariff and
6 the pool car operators' tariff?

7 A. That is correct.

8 Q. And in Classification 4, the difference
9 is as between 195 and 192?

10 A. Yes.

11 Q. Whereas the difference in the other
12 classifications, which you do not carry as a rule,
13 is greater, is that correct?

14 A. Yes.

15 Q. Would you continue your explanation?

16 A. I was beginning to say that we
17 have never been able to secure a copy of the
18 direct lake service tariff for the year 1952
19 but we were able to secure from various shippers
20 that the quotations were the same as those rates
21 quoted by the Muirhead Forwarding Company Limited.
22 When we consider the published tariffs of today,
23 the situation is reversed. At the present time
24 there are not one but at least three pool car
25 forwarders operating to Newfoundland. The direct
26 lake services, to the best of my knowledge,
27 have published tariffs which are competitive
28 with the Lake Freight Association and the rail
29 and water tariffs, but have not attempted to
30



1 publish tariffs competitive with the pool car
2 operators and therefore we presume that they are
3 soliciting pool car business.
4

5 It would seem, therefore, that a great
6 factor influencing freight rates from the Lake
7 area were the activities of the pool car
8 operator.

9 Fourth, and I think the last influence,
10 is the fact also that every industry in Canada,
11 small or large, has a traffic man, a traffic
12 department, and the sole duty of these men is
13 to route merchandise from their company to
14 destination and land it at the lowest cost
15 possible. These men are always contacting the
16 carriers, trying to arrange for a better rate,
17 working to see if they can establish better
18 means of handling and so on, and I think they
19 are a most important factor in influencing freight rates
20 to all parts of the country and certainly including
21 Newfoundland.

22 Q. I have before me a compilation showing
23 certain retail prices in the St. John's,
24 Newfoundland area, actually in St. John's,
25 Newfoundland, as of September 20, 1955, in
26 relation to freight rates, By whom was this
27 prepared?

28 A. This was prepared in my office
29 under my supervision.

30 Q. Would you produce this compilation



1 as Exhibit 83?

2 A. Yes.

3
4 ---EXHIBIT NO. 83: Document above-mentioned,
5 showing comparative retail
6 prices and freight charges at
7 St. John's, Newfoundland, presented
8 by Clarke Steamship Company Limited.

9 Q. Could you explain the significance?

10 First of all, can you tell us what are in the various
11 columns and then explain any conclusions that you
12 draw from the exhibit.

13 A. This exhibit, Column 1, is broken down
14 into groceries, meats, furniture, clothing and
15 building materials. The second part of Column 1
16 shows the unit weight, or the unit, which we
17 have used to carry out the balance of the exhibit.

18 Q. And does that unit apply both to the
19 retail selling price and the freight rates shown
20 in the next two columns?

21 A. Yes, it applies right across the line.

22 Q. Yes?

23 A. The third column shows the retail
24 selling price of the various articles at St.
25 John's, Newfoundland, taken at September 20,
26 1955 from one of the main stores there.

27 The fourth column shows the water freight
28 charges per unit, Montreal to St. John's,
29 Newfoundland.

30 The first item is butter, for instance,
and the water freight rate on butter is .018.

Q. Per what?



1 A. Per pound.

2 Now, the A.Q. preceding that column
3 means "Any quantity". In other words, the rate
4 applicable against these commodities were any
5 quantity rate and would not vary on any L.C.L.
6 cargo.

7 The C.L. rates, carload rates on page 2,
8 influence most of the articles normally moved on a
9 carload basis. Under "clothing" you will notice
10 that it is L.C.L., indicating less than carload,
11 less than carload, because normally these would be
12 tendered to any carrier as less than cargo
13 shipments.

14 The final column shown represents the freight
15 charges as a percentage of retail selling price
16 at St. John's, Newfoundland and this was drawn up
17 just to find out how much of a factor the freight
18 rate on articles actually is to the Newfoundland
19 consumer.

20 Q. Both in percentages of the cost of the
21 article, retail price and in the actual amount
22 applicable to the article, being columns 3 and
23 4 respectively?

24 A. That is correct.

25 Q. Now I hand you a statement which is
26 entitled "Cargo Carried By Clarke Steamship
27 Company Limited and Associated Companies During
28 1954 In Net Weight Tons."

29 By whom was this prepared?
30



1 A. This was prepared by myself.

2 Q. From what information?

3 A. Well, from the regular company's
4 statistics, which of course are on hand in our
5 office.

6 Q. Would you produce that statement as
7 Exhibit 84?

8 A. Yes.

9
10 ---EXHIBIT NO. 84: Statement above-mentioned,
11 entitled "Cargo Carried By
12 Clarke Steamship Company Ltd.
13 and Associated Companies During
14 1954 in Net Weight Tons,
15 presented by Clarke Steamship
16 Company Limited.

17 Q. Could you just go through that statement
18 quickly and explain it? I think it speaks for
19 itself but perhaps you could just point out the
20 more pertinent features.

21 A. You will notice I have gone into detail
22 in respect to traffic to and from Newfoundland,
23 because I looked over the submission by the
24 Newfoundland Government and Clarke Steamships
25 was shown as having carried some 47,000 tons to
26 and from Newfoundland. However, you will notice
27 that from Montreal we have carried freight to many
28 places in Newfoundland, Corner Brook, St. John's,
29 Bay Roberts, St. Lawrence, Argentia and so on,
30 to a total of 59,282 tons to Newfoundland.

Q. That is from Montreal to various
ports in Newfoundland?

A. From Montreal to various ports in



1 Newfoundland.

2 Now, from the ports of Saint John, New
3 Brunswick, and Halifax, Nova Scotia, where we operate
4 in the winter season, in 1954 we carried 12,600 tons,
5 so our total tonnage to Newfoundland in 1954 was
6 71,882 tons.

7 Inward, from Newfoundland, we carried 3,878
8 tons of general package cargo in 1954, plus 44,480
9 tons of fluorspar, a total tonnage inward of 48,358,
10 or a total cargo to and from Newfoundland of
11 120,240 tons.

12 Q. I notice that you have a classification
13 here of "All Services". Does that include the
14 Newfoundland services?

15 A. Yes. I have shown general package cargo
16 and other cargo, including Newfoundland. It shows
17 178,500 tons for general package cargo and
18 185,000 tons of other cargo which were transported,
19 consisting of fluorspar, gypsum, cement, pulpwood,
20 etcetera, to a total of 363,500 tons in cargo
21 carried.

22 THE CHAIRMAN: A ten-minute recess,
23 gentlemen.

24 ---The witness withdrew.

25 ---Recess from 11:35 a.m. to 11:45 a.m.

26 ---
27
28
29
30



1 ---Upon resuming at 11:45 a.m.

2 MR. BROCK CLARKE: May it please you, Mr.
3 Chairman, Mr. Stanley Clarke.

4 STANLEY D. CLARKE, called

5 MR. BROCK CLARKE: Q. What is your position
6 with the company?

7 A. I am general manager of the Clarke
8 Steamship and Associated Companies.

9 Q. Did you state your name?

10 A. My name is Stanley D. Clarke.

11 Q. How long have you been with the company?

12 A. I have been with the company since the
13 spring of 1939, when I graduated as a mechanical
14 engineer from Queen's University and then
15 continued with the company since that time, with
16 the exception of the six war years, when I was in
17 the Army.

18 Q. In your brief, you have advocated the
19 restriction of the coastal trade of Canada to
20 Canadian registered ships. Would you tell us the
21 reason for this recommendation?

22 A. We feel that if British ships
23 are allowed to operate in the Canadian coasting
24 trade, in the long run it would not be possible
25 to continue the operation of Canadian ships in
26 the coastal trade. This company could carry on
27 its coastal operation by either the chartering
28 of British ships or the operating and owning
29 of British registered ships. This would then
30



1 put us on exactly the same basis as British
2 shipping companies.

3 However, both the chartering and the owning
4 of British ships by a Canadian company has some
5 evident disadvantages. First of all, as far as
6 owning British ships is concerned, there are
7 administrative difficulties, due to distances,
8 etcetera, and our investment for the use in Canada
9 would be subject to the control of another country.
10 Furthermore, the vessels, being under the British
11 flag, would be under the control of a foreign
12 government. This would also apply to chartered
13 vessels and, moreover, as we have already indicated,
14 by the high fluctuations in charter rates, it is
15 definitely undesirable for any liner steamship
16 company to operate entirely with chartered tonnage.

17 Q. When you talk about fluctuations, do
18 you refer, for instance, to fluctuations which
19 have occurred in the past and which are shown on
20 Exhibit 82?

21 A. That is correct.

22 Q. Please continue.

23 A. Therefore, although we could operate
24 with British ships in the Canadian coasting trade,
25 being Canadians, we feel that a nation should at
26 least keep for its own citizens and for the
27 benefit of the country its internal trade.

28 In this connection I might mention the
29 following: We employ on our vessels, that is
30



1 seagoing personnel, 375 Canadian men, and this is
2 during the season of navigation, of operation; and
3 in addition to that we employ at least about 120 of
4 these personnel during the winter months, by sending
5 out ships out to the West Indies, etcetera, and at
6 the present time we understand the question of
7 winter employment is of considerable concern to the
8 Government.

9 Q. You said during the season of operation.
10 Could you explain to the Commission what you mean by
11 that?

12 A. As you know, we operate in the Gulf
13 of St. Lawrence and consequently, during the winter
14 months, these waters are frozen over, and consequently
15 some of the operations have to be curtailed.

16 However, we do operate, as we have mentioned,
17 one ship all winter from Pointe au Pic, on the
18 north shore of the St. Lawrence, two ships out of
19 Halifax, Nova Scotia and Saint John, New Brunswick,
20 to St. John's, Newfoundland, in the winter months,
21 and in addition to that we have ships of a size
22 that we can put outside, and when it is frozen over
23 in the winter in the St. Lawrence we then try to
24 operate them in the West Indies.

25 In addition to that, I might mention that we
26 spent in Canada, for ship operation alone, in
27 wages, \$900,000 per year, in addition to which
28 these men pay to the Canadian Government, in
29 income taxes, an amount of about \$56,000.

30 Q. Is this the amount which is deducted



at source through the company?

A. That is correct. In addition to that, various of these Canadian vessels mean an expenditure to Canadian suppliers, for stores and replacements, of about \$200,000, and to repair shops for repairs and annual overhauls of about \$350,000.

Q. When you say repair shops, do you include shipyards?

A. I am including repair yards, shipyards and machine shops.

Now, that is a total amount of about \$1,500,000 and naturally a small amount of these expenditures for stores and repairs would remain in Canada if British ships were operated.

I have not included in any of these figures expenses that are normally made by British companies, as well as by ourselves, such as for terminal, fuel, etcetera, which, no matter which country operates the ship, these expenses would be paid to Canada, so that all those amounts are amounts we feel would be paid, because the ships are Canadian, as above what would be paid if they were British.

In addition, if and when the company makes a profit, income tax on this profit is paid to Canada, whereas British owners and operators are exempt from tax, and I may refer you to Section 10, 1(c) of the Income Tax Act and Article V of The Canada United Kingdom Income Tax Agreement. I feel that this exemption was really intended for



1 British vessels operating in international trade
2 and certainly not to put these vessels at an
3 advantage over Canadian ships in the Canadian
4 coastal trade.

5 In addition to that, we have the question of
6 defence, which I believe has been amply stressed
7 previously. It is not only the question of the
8 production of suitable ships for continuation of
9 essential services but also of trained crews which
10 can form a nucleus for expansion of the Merchant
11 Marine in time of war or provide useful personnel
12 for the Navy. The maintenance of the shipyards
13 and repair facilities which would be essential in
14 any future conflict are also maintained. In
15 addition, in our important northern developments,
16 it seems that we must surely rely within Canada on
17 suitable vessels to supply these northern bases
18 which are now being developed, both in times of
19 peace and in times of war.

20 I might also mention stability of trade.
21 Canadian ships operating in the coasting trade
22 would continue to operate in good times and poor
23 times and be available when required for the trade.
24 Some British ships may be attracted to the
25 Canadian coastal waters during poor outside
26 markets but have no ties or responsibilities to
27 the trade and are free to depart should better
28 opportunities arise elsewhere.

29 Q. Now, the question naturally arises,
30 if the trade is restricted to Canadian registered



1 vessels, can these vessels provide the necessary
2 services?

3 A. At the present time our company is
4 certainly providing necessary services to the north
5 and south shores of the St. Lawrence as, to our
6 knowledge, there are no regular ships employed in
7 that trade.

8 Q. Other than your own?

9 A. Other than our own; no other British
10 ships, let us put it that way. In addition to that,
11 Clarke Steamship Company has provided as has been
12 shown by the history, and are continuing to provide,
13 satisfactory services to both Corner Brook and
14 St. John's, Newfoundland, and we feel we have been
15 providing this efficient service even inspite of
16 British competition at the present time.

17 In addition to that, if we want to consider
18 the operation of the all-water operations from the
19 Great Lakes to Newfoundland, we maintain that a
20 satisfactory Canadian service is now provided by an
21 all-water route with the combination of Canada
22 Steamship Lines and Clarke Steamship Lines. If
23 a direct service is required, this could always
24 be installed if economically sound, but present
25 indications are that the present combination
26 is probably the most suitable as providing full
27 cargoes for ships on both legs of the voyage.

28 Q. Could you explain that latter remark,
29 for the benefit of the Commission?

30 A. A C. S. L. ship, there is probably one



1 three to four times a week. They come down, or have
2 a chance to come down from the Lake areas to
3 Montreal. A part of that cargo would be going to
4 Newfoundland and if she went on to Newfoundland she
5 would still be sailing with an incomplete cargo,
6 which would be uneconomic.

7 That cargo would be held in Montreal and we
8 have a sailing to Corner Brook once a week and to
9 St. John's about every nine days. That cargo then
10 goes from Montreal and provides a portion of that
11 ship's cargo on to Newfoundland. As only about 40
12 per cent of the cargo comes in from outside of the
13 Montreal area, we still have to rely upon Montreal
14 to fill that ship out. That gives a chance for the
15 service from the Lakes to Montreal to be operating
16 at full efficiency and from Montreal to Newfoundland
17 likewise.

18 Now, I was mentioning the various services
19 and we must also take into account the service
20 in the northern waters. I would mention, first
21 of all, that lake ships have been used satisfac-
22 torily in these waters, but if this trade was
23 restricted to Canadian ships it is felt that
24 ultimately, highly suitable ships for this service
25 would have to be built.

26 Q. When you speak of lake ships, are they
27 British or Canadian registered ships?

28 A. Canadian registered ships; for instance,
29 the "M. V. Farendoc." The "Farendoc" was so
30



1 suitable that they asked us to keep her up there
2 for a longer time than was originally contemplated.

3 Now, it is also true that if the trade
4 were restricted to Canadian ships, means would have
5 to be found to carry the cargo now carried on
6 British ships. We believe that there are Canadian
7 ships that could be used in our trade during the
8 transitional period until Canadian registered
9 vessels could be built. In any event, we
10 recognize that there will be a transitional period
11 and we have suggested in our brief that provision
12 be made for licenses to British ships during this
13 period when no Canadian vessels are available.

14 We have heard remarks, or in reading the
15 briefs, regarding the carriage of certain cargoes
16 of marginal industries in Newfoundland, and in
17 that connection I might mention fluorspar, which
18 is one of the ones mentioned, and which the Clarke
19 Steamship Company have carried the majority of
20 in cargoes from St. Lawrence, Newfoundland, to
21 Port Alfred from 1947 to 1954. In 1955 we are
22 still moving 20,000 tons and the remainder is
23 being transported by a subsidiary of the Aluminum
24 Company, for whom the cargo is being moved.

25 Q. And I believe the company in
26 Newfoundland is also a subsidiary of the Aluminum
27 Company of Canada?

28 A. That is correct. I don't know the
29 rate for the moving but I do not think it is a
30 question of a competitive rate, because we have



1 got it in all the other years in open competition.

2 I might also mention gypsum, which also is
3 being moved on a satisfactory basis by Canadian
4 vessels, the "Patricia Sweeney", the "North
5 Coaster", the "Steve Ahern" and the "Wellendoc".

6 Since there is very little general cargo
7 moving eastbound, which our figures have shown,
8 some 3,000 tons, we are always grateful for the
9 opportunity of moving the eastbound cargoes.

10 THE CHAIRMAN: Westbound.

11 A. I'm sorry. Westbound. My apologies.
12
13

14 (Page 3481 follows)
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55 1 MR. BROCK CLARKE: Q. Now, you have advocated
2 restriction of the Canadian coastal trade to Canadian-
3 registered ships but not to Canadian-built ships.
4 Why do you take this stand?

5 A. It is true that this company has
6 asked for the right to build ships anywhere in the
7 British Commonwealth in the same way as other trans-
8 portation organization, such as the airways, bus
9 lines, railways and trucking concerns can obtain
10 their capital equipment anywhere they wish. As
11 coastal steamship companies are in competition with
12 these types of other forms of transportation, they
13 must be in a position to compete on an equal basis.
14 In addition, some of our ships, as we have mentioned,
15 operate in the international trade during the winter
16 months when the St. Lawrence is closed to navigation
17 and in such trades must compete with vessels from
18 all parts of the world. We may not be able to
19 afford to operate these trades with Canadian-built
20 ships when the burden of depreciation, interest
21 and insurance on this additional cost of building
22 in Canada has also to be met.

23 Q. Would you explain that a little
24 more? Can you give us an example perhaps in order
25 that the Commission can see how that additional
26 cost would work?

27 A. Well, if you had ---

28 Q. Just give us an example. It per-
29 haps might be helpful.

30 A. With accurate figures?



1 Q. No, with figures but not necessarily
2 accurate.

3 A. If you build a ship in Great Britain
4 it may cost, say, about \$1,200,000. You build one
5 in Canada it may cost \$1,800,000. You have an addi-
6 tional \$600,000 of capital outlay and that must be
7 recovered by means of depreciation, by writing down
8 that capital outlay. In addition to that you must
9 pay interest on that money. Third, since the ship
10 has cost more you have to insure it for a higher
11 amount, so your insurance premiums will be higher.
12 Those three factors are the only ones which would
13 differ between the Canadian-built and British-built
14 ship, and those items would put up your daily opera-
15 ting cost and make it more difficult to operate
16 in international trade.

17 Q. You have mentioned the figures of
18 \$1,200,000 and \$1,800,000 which is a difference of
19 about 50 percent. Why did you take that percentage?

20 A. Well, to the best of my knowledge
21 that is approximately the figure that I understand
22 represents the difference.

23 Q. Between the cost of building a ship
24 in Canada as compared to building a ship in the
25 United Kingdom?

26 A. That is correct. However, I would
27 like to mention that, as a Canadian company, we
28 certainly want to support Canadian shipyards and
29 feel that the building of ships in Canada should
30 be made as attractive as possible to Canadian



1 operators. This can be done by the continuation
2 of the the present Canadian Vessel Construction Assis-
3 tance Act coupled with other inducements.

4 These inducements are such things as Govern-
5 ment loans at low interest rates to Canadian ship
6 operators to build their ships in Canada, and an
7 allowable depreciation of 110 percent on the cost,
8 which we understand is now done in Great Britain
9 to encourage building in that country.

10 Q. What would be the effect of allowing
11 110 percent depreciation?

12 A. It means that you start with -- you
13 build your ship and you immediately have available
14 a tax-free gain of 10 percent. In other words, if
15 your ship costs \$100,000 you have \$110,00 to depre-
16 ciate, which consequently means you do not pay profits
17 till you have earned ---

18 Q. You do not pay taxes?

19 A. You do not pay taxes on profits till
20 you have earned the whole of the \$110,000.

21 Q. In effect, it is a bonus of 10 percent
22 of the value of the ship, but the operator must
23 earn the money in order to get the advantages of
24 it?

25 A. That is correct. I understand that
26 they are doing it today in Great Britain. I have
27 not any documents to prove it except I had a dis-
28 cussion with some owners, and it is to encourage
29 them to build in Great Britain instead of the Con-
30 tinent.



1 In addition to that, I would like to suggest
2 construction subsidies which need not cover the
3 entire difference between the British and Canadian
4 costs if the other inducements which I have mentioned
5 are also offered.

6 Q. What do you mean by that? Could you
7 explain that a little more?

8 A. Well, what I mean is that, if the
9 difference between a Canadian-built and a British-
10 built ship is 50 percent, if a construction subsidy
11 of 25 percent was offered, the shipowner will have
12 the present advantages of the Canadian Vessel Con-
13 struction Assistance Act such as rapid depreciation,
14 Government loans at a little lower rate of interest
15 than he can get on the open market to build a
16 British ship and, say, a 25 percent allowance as a
17 construction subsidy, they may be encouraged and
18 would build in Canada. It would be a matter of
19 economics, the consideration of whether he would or
20 would not, but I do not think that you would have
21 to pay him the total difference in order to induce
22 him to do so. That is what I am saying there.

23 Q. Have you any other comments or sug-
24 gestions to make concerning the manner in which
25 help may be given or encouragement may be given to
26 the shipyards?

27 A. I would like to mention in addition
28 to the previous remarks that no matter what decision
29 is reached concerning the building of ships, we
30 consider that Section 54 of the Customs Act



1 should be amended to the following effect. (a) The
2 provisions of this Section should apply not only
3 to repairs and equipment, but also to all modifica-
4 tions, alterations, changes and outfitting of vessels
5 which are later operated in the coasting trade of
6 Canada, and, in the case of major modifications,
7 alterations or changes, the period of one year should
8 be extended to five years.

9 MR. BROCK CLARKE: If I may interrupt. Per-
10 haps I can just present to the Commission copies of
11 the extract of the present Section as it appears in
12 the Customs Act, and it may be a little easier to
13 follow the recommendations.

14 MR. STANLEY CLARKE: To explain that further,
15 at the present time repairs^{carried} out in other than British
16 Commonwealth countries, if a ship is used in the
17 Canadian coasting trade a duty must be paid on
18 those repairs, and that is as it should be.

19 However, British-built vessels registered
20 in England have had major modifications carried out
21 in foreign yards, such as a Dutch yard, and come
22 to Canada and although we were always under the
23 impression that this Section would then force
24 these shipowners to pay duty on that extensive
25 modification, it was ruled, we understand, not as
26 a repair but as a major alteration, and consequent-
27 ly was not dutiable.

28 The effect of this would be that I can take
29 an old creak, British-built ship, have her com-
30 pletely reconditioned in a Dutch yard at a



1 considerable saving even on British costs, and then
2 operate her in the Canadian coasting trade, which
3 we do not think is fair.

4 Q. Can you give an example of a ship
5 which you yourself had remodelled using a Canadian
6 shipyard with reference to the S.S. North Shore?

7 A. The S.S. North Shore was a corvette
8 which was under Canadian registry and we took it
9 to a Canadian shipyard. We had originally bought
10 the ship for somewhere between around maybe \$30,000
11 to \$50,000. We spent somewhere in the vicinity of
12 \$500,000 modifying that ship to make her suitable
13 as a cargo and passenger, refrigerated cargo carrier.

14 Q. Where was that carried out?

15 A. That was carried out in Meteghan, N.S.
16 The way we understand this Act, we could have that
17 done in a Dutch yard or in any foreign yard and
18 would have saved, probably, a considerable amount
19 of that repair. We feel that this certainly is
20 a loophole in the Act which should be plugged.

21 Q. Have you any other recommendations
22 in respect to the same ---

23 A. We would also like to recommend that
24 the provisions of this Section should apply to
25 all repairs, modifications, alterations, changes
26 and outfitting of and equipment and parts supplied
27 to or installed on vessels outside of Canada,
28 whether within or without the British Commonwealth.

29 I will explain that a little further.

30 What I had in mind there is this: If a British



1 ship, a British-registered and British-built ship
2 goes to England and has a new propeller installed,
3 a new propeller costs about \$5,000 or \$6,000, he
4 gets that installed in a British yard and then he
5 comes to Canada and operates in the Canadian coasting
6 trade, no duty is assessed on that propeller since
7 it is a British-registered and built ship.

8 However, a Canadian shipowner purchases the
9 same propeller from England and that propeller is
10 installed by a Canadian shipyard on his Canadian
11 ship; he is asked to pay a 20 percent duty, which
12 we do not think puts us on a fair and equal basis.
13 say

14 MR. BROCK CLARKE: I might ^{say} here that your
15 foreign country as used in Section 54 of the Customs
16 Act has been interpreted by the Customs Department
17 to include countries outside the Commonwealth only.
18 They say that it does not apply to other British
19 countries or countries outside of Canada, even Common-
20 wealth. They have applied the Statute accordingly.

21 It is our submission, as Mr. Clarke has
22 said, that this provision should apply to repairs
23 made in British shipyards, no matter what part
24 of the Commonwealth outside of Canada, as well as
25 to other foreign countries if the ships operate
26 in the Canadian coasting trade and will have their
27 repairs carried out in Canadian shipyards, which
28 we think is a minimum consideration to be given
29 to the Canadian shipyards, which we recognize as
30 a necessary Canadian industry and a very important
one.



1 MR. BROCK CLARKE: Q. It has been suggested
2 that the restriction of the coastal trade to
3 Canadian ships be limited to the carriage of passen-
4 gers and goods within certain regions. In other
5 words that ---

6 THE CHAIRMAN: Before you go on with that,
7 you have not finished the recommendations as to the
8 assistance to shipyards.

9 MR. BROCK CLARKE: That is our last recom-
10 mendation, the amendment of Section 54.

11 THE CHAIRMAN: On page 10 I read paragraph
12 No. 3, a suggestion of a 10 percent tariff.

13 MR. BROCK CLARKE: We have ---

14 THE CHAIRMAN: Did you forget that one?

15 MR. STANLEY CLARKE: Mr. Chairman, I think
16 the answer there is that there are things put into
17 the brief which we have not -- we are not repeating
18 everything that is in the brief in our submission
19 now. We are only repeating the things that need
20 specific explanation.

21 THE CHAIRMAN: That is why I asked you. Do
22 you wish to forget that one?

23 MR. STANLEY CLARKE: We are still suppor-
24 ting everything that is in our brief. We did not
25 think there were any additional remarks required
26 on some of the recommendations there, and the
27 things in the brief which we are bringing up now,
28 we are bringing up really supporting evidence and
29 additional information.

30 MR. BROCK CLARKE: That is correct.



1 I think that completes our discussion of the
2 aid or protection to be given to the Canadian ship-
3 with
4 yards which we are only indirectly concerned, but
5 we feel as Canadian shipowners we should make some
6 comment on that before the Commission.

7 MR. BROCK CLARKE: Q. If I may repeat the
8 question, because I think perhaps we have forgotten
9 what it was. It has been suggested that the res-
10 triction of the coastal trade to Canadian ships be
11 limited to the carriage of passenger and goods
12 within certain regions of Canada. We are not com-
13 menting on what those regions may be, but I would
14 like to have your comments or views in that regard.

15 A. We feel, first of all, that the laws
16 of Canada should be applied uniformly throughout
17 the country. Our operations extend from Montreal
18 to Blanc Sablon. In other words, take equipment
19 from Montreal and drop it at Blanc Sablon, which
20 is in the Strait of Belle Isle; also to Goose Bay,
21 Labrador, which is off the map in Labrador, and to
22 Gaspe and the Magdalen Islands on the South Shore.

23 Q. Where are the Magdalen Islands?

24 A. The Magdalen Islands are right in
25 the middle of the Gulf between -- about half-way
26 to Newfoundland; as well as to ports in Newfound-
27 land which have been listed in one of our previous
28 exhibits. The main ones being St. John's and
29 Corner Brook. They also include St. Anthony and
30 Bay Roberts and several other ports that have
been listed previously.



Q. That would include also the entire region from Montreal to the main Eastern part of Canada on the Atlantic seaboard to the north, north of the part shown on the map which goes out including the whole of Newfoundland and the Gulf of St. Lawrence, including Magdalen Islands and the Gaspé on the South Shore, is that correct?

A. That is correct, yes. Naturally, since we operate throughout that area we want to give some flexibility to our operations, and the ships we are operating on this service should be able to operate in all or any portion of these various regions without being forced to compete with vessels which can be operated at a lower cost, such as British ships.

Q. Can you perhaps explain that?

A. Well, to understand the situation, for instance, we have a service from Montreal to Corner Brook. Now, with all the development which is going on on the North Shore at Forestville, Seven Islands and Havre St. Pierre, we have sometimes certain types of heavy lifts, for instance, special cargoes which can be economically transported by a vessel on its way from Montreal to Corner Brook to each of these areas. Various cargoes, say heavy lifts, etc., equipment and so on which is not even carried on the regular coastal service, so that one service supplements the other. That is true also of ships going to St. John's. There is no trouble in taking the vessels, for



1 instance, to Seven Islands on its way to St. John's
2 with some of these cargoes, such as heavy cranes,
3 locomotives and that type of equipment which cannot
4 be carried on small ships normally engaged in the
5 coastal run, so we feel these vessels -- a certain
6 kind of ship can be used as far as Havre St. Pierre
7 or as far as Seven Islands, and another kind of
8 ship is used to St. John's, ships would have to be
9 able to operate into those areas.

10 Q. In other words, if I may comment on
11 that. If, for instance a ship running from Montreal
12 to Corner Brook was a British-built ship and was not
13 allowed to operate in the coasting trade of Canada,
14 and the coasting trade of Canada was restricted,
15 for instance, to shipments going from Montreal to
16 Seven Islands, a ship would not be permitted to carry
17 cargo from Montreal to Seven Islands on its way to
18 Corner Brook and carry on its trade which cannot be
19 presently carried by the regular ships. Is that
20 correct?

21 A. That is the point.

22 Q. Have you any other comments?

23 THE CHAIRMAN: It all depends on how tight
24 your restriction is. If your restriction is to
25 Canadian-operated but not Canadian-built you can
26 stop and go as you wish.

27 A. We are talking about the effect of
28 restrictions. Supposing one was they only apply
29 to Canadian-operated ships which are going to be
30 restricted, or certain trips are going to be



1 restricted to Canadian-operated ships. That restric-
2 tion only is as far as past Seven Islands. Then on
3 the Northland route you have got a cost differential
4 which I have mentioned before. They would pro-
5 bably be using British ships, British-operated ships
6 either that they may charter or own, and so in order
7 to ship to the Corner Brook run we would have to
8 use a ship which is a British ship because that is
9 the economical way and there is no protection to the
10 Canadian ship; so ultimately you are forced to use
11 a British ship. If the restrictions are extended as
12 far as Seven Islands, then that British ship which
13 can operate to Corner Brook could not operate to
14 Seven Islands and would not be available to carry
15 special cargoes into that port.

16 In other words, we are now discussing the
17 question of whether restrictions should be cut off
18 at some point, or whether they should apply to the
19 whole of Canada. We are trying to show the diffi-
20 culties that would exist if there was a cut-off
21 point decided upon at the present time.

22 THE CHAIRMAN: Q. The additional feature
23 I did not understand was, you would then transfer
24 your run to British ships if they were beyond the
25 boundary line of restriction?

26 MR. BROCK CLARKE: Yes. Well, if there
27 was any restriction on trading, for instance, be-
28 yond some point in the Gulf, the same considera-
29 tions would apply as would apply if the traffic
30 in Canada as a whole were unrestricted insofar as



1 that particular trade is concerned. We feel over
2 the long run it could not compete, the Canadian ship
3 could not compete with the British ship due to the
4 cost differential. We can extend that a little
5 later or I can extend it now, if you prefer.

6 THE CHAIRMAN: No, do not let me interrupt
7 the order of your presentation. Proceed.

8 MR. BROCK CLARKE: Q. You have given us
9 some reasons why you do not wish to have any decision
10 which is made based on a regional basis; that is,
11 one rule applying to one part of the country parti-
12 cularly to the areas in which you trade, and another
13 rule to another part of the area. Have you any
14 other reason?

15 A. Well, as I have previously mentioned,
16 we are operating vessels throughout this whole area
17 and feel that these vessels, being operated in the
18 Gulf, must have flexibility, to be able to switch
19 from one service to another.

20 In other words, if we have a ship that was
21 operating on a run to Corner Brook and we decided
22 we had to switch her into a run on the North Shore,
23 if it was a special job, we would not be able to
24 do that if you have a dividing line. You have
25 divided into Canadian ships and British ships --
26 well, then you would not be able to switch them
27 into Canadian ---

28 THE CHAIRMAN: Q. You could switch them
29 into Canadian.

30 A. You could switch a Canadian ship to



1 a British run but not a British ship to a Canadian
2 run.

3 Q. Simply put her under Canadian registry.

4 MR. BROCK CLARKE: That is not, I think,
5 what Mr. Clarke had in mind. For instance, if there
6 was a casualty and a ship was laid up for a couple
7 of weeks or a month, it might be necessary to make
8 adjustments in the service, and that if the same rule
9 applies throughout the area it is natural there
10 would be great flexibility in moving ships from one
11 service to another.

12 THE CHAIRMAN: There are always in the
13 statute exempted classes. I mean there is at the
14 present.

15 MR. BROCK CLARKE: We admit that there may
16 be reasons for making regional differences, reasons
17 may have been submitted to the Commission, but we
18 are simply putting before the Commission these fea-
19 tures which we feel are on the other side. In
20 other words, if the Commission did make a decision
21 on regional grounds, we believe they should do that
22 with the full knowledge of the difficulties which
23 may result from that.

24 Q. Have you any other comments?

25 A. The only other comments on this
26 particular subject is that whatever may be decided
27 the right place to make a dividing line today would
28 probably be inappropriate at some later date. In
29 other words, if this decision had been made twenty
30 years ago, it may have come right up to Montreal.



1 Today you may go out to Seven Islands. Tomorrow,
2 is the end of the Gulf the right place? So what is
3 correct today may not be correct ten years from now
4 or in the near future.

5 MR. BROCK CLARKE: There was another obser-
6 vation which you made to me yesterday which perhaps
7 you have overlooked, and perhaps I might mention to
8 the Commission, and it is that some of the services
9 which are operated by this company operate through
10 this entire area.

11 In other words, one ship starts off in Montreal
12 and delivers cargoes to points starting, say, in
13 Seven Islands, all the way down the coast as far
14 as, say, Blanc Sablon, which is 910 miles from Mont-
15 real. Now, that ship, if there was a restriction
16 on shipments to Seven Islands, for instance, and
17 that ship is also going to other ports, then you have
18 to use a British ship to go -- all depending on
19 where the dividing line was but, say, the dividing
20 line was the commencement of Anticosti, that is the
21 western portion of Anticosti. The ship which goes
22 to Havre St. Pierre could be a British ship, a
23 British-registered ship. Under present conditions
24 a British ship can go there; whereas if it was
25 restricted at Anticosti that same ship could not
26 operate to Seven Islands, which would put us in the
27 difficult position of either having to compete with
28 a Canadian ship against a British ship on that
29 other run, or operating a British ship, which would
30 not be permitted under the regulations to stop at



Seven Islands.

1 MR. BROCK CLARKE: Q. Now, I have here a
2 statement which is entitled, "Breakdown of Applica-
3 tion of Freight Dollar on Service, Montreal to St.
4 John's, Newfoundland". Would you tell us who pre-
5 pared that statement?

6 A. This statement was prepared under my
7 direction by the staff in our office.

8 Q. Would you produce this statement as
9 an exhibit?

10 A. I will.

11
12 ---EXHIBIT NO. 85: Statement of breakdown of
13 Freight Dollar, Montreal to
14 St. John's, Newfoundland.

15 Q. Can you explain this statement to the
16 Commission?

17 A. What has been done in this particular
18 case is to break down one dollar of trade into
19 various costs that make up that dollar, and to do
20 this in this first statement we have based it on
21 the Hansa-type 3,500-ton deadweight ship of 165,000
22 cubic feet. This vessel is represented by the
23 Canadian ship S.S. Novaport and the British ship
24 S.S. Sheldrake, and these ships actually use this
25 service.

26 These figures -- as you know, in accounting
27 you have to arrive at some arbitrary method of
28 figuring. These ones have been based on a direct
29 service from Montreal to St. John's with no bulk
30 cargo returned, that is, no gypsum, no wood, making



1 one round-trip. No passenger revenue was included
2 and the figures are based on the 1954 operations,
3 costs and rates.

4 MR. MUNDELL: Q. May I ask one question?
5 It might very easily be dealt with at this point.
6 Are these fairly representative conditions?

7 A. These are representative conditions.
8 First, in relation to that, as you know costs of
9 operation between different operators will vary, and
10 the costs between what we think we can operate a
11 ship for and what somebody else operates a ship for
12 may vary; so this represents our ideas of what a
13 ship costs. In other words, from our accounting
14 we picked out certain figures and so on. These
15 vary as far as we are concerned since we do not have
16 all the costs of the British-operated ship. We
17 have worked out what the costs should be for a
18 Canadian ship. We know what their income was, the
19 cost of certain things, such as repairs and their
20 overhaul. The rates will vary from ship to ship,
21 but these are what we consider to be proper figures
22 for the operation of a Canadian and a British ship
23 on that run.

24 You will note that the details are broken
25 down into cost of operation of the vessel, which
26 is different for a British than a Canadian ship.
27 Then you will note that the Montreal terminal
28 costs and the St. John's terminal costs are the
29 same cost, so it does not matter which Commonwealth
30 vessel it is. Its costs will be the same provided



1 it is of the same type.

2 The cargo insurance, claims, and sundry, also
3 are the same. We have also the same figure for
4 administration, cargo solicitation and profit in
5 both cases, and have also an additional space for
6 "available for profit or rate reduction", which, in
7 actual fact, shows the difference between the
8 Canadian and British operation.

9 Now, looking at these figures, -- I might
10 also explain that in part B of that we have said
11 what would be the effect if we increased the average
12 tonnage carried by that ship by 20 percent, what
13 would be the saving and freight rate we could realize
14 by increasing the tonnage carried. That is shown
15 for a British and Canadian ship also.

16 I will deal mainly with the first page of
17 this and I will refer later to page No. 2. The
18 reason for the production of this statement is that
19 we have heard statements that British ship wages
20 are 50 percent lower than Canadian, if you are
21 operating a Canadian ship. This submission is that
22 if you operated British ships on the Canadian coas-
23 ting trade, you will be faced with a 50 percent
24 saving in freight rates.

25 This statement shows that the operation
26 of a vessel is only one factor in the operation
27 in the coasting trade. And the wage rates are
28 only one of the factors in the cost of the ship.
29 The terminal expenses for the same type of vessel
30 will be the same, so that we find, by looking at



1 this statement that a British ship should be able
2 to vary their rates, let us say freight rates, by
3 about 8¢ on the dollar, or 8 percent.

4 I would like to refer back again, after having
5 done that, to Exhibit 83, which was previously sub-
6 mitted by Mr. Hutcheson. You will recall that that
7 shows the cost of various articles in St. John's,
8 Newfoundland, and the amount of freight on that
9 particular item.

10 Now, if you take this statement that British
11 ships have an advantage of 8 percent, and you opera-
12 ted British ships exclusively in the service, what
13 would be the effect on the freight to St. John's,
14 Newfoundland?

15 Well, I have taken a few of these items in
16 question. Butter, they pay 71¢ a pound, and their
17 freight rate is 1.8¢. If you employ entirely British
18 ships, and you apply all the savings available to
19 freight rates, they would only be able to save on
20 a pound of butter 1/5¢.

21 If you look at tomato juice, for instance,
22 or two cans of tomato juice which has a freight
23 rate of 4¢, we save about 1/3¢.

24 If we look at a pound of ham and you apply
25 the same saving, you can probably save 1/5¢.

26 If you look at a washing machine, which
27 costs \$214, they might be able to save 17¢.

28 I have looked carefully at all these figures
29 and I have gone into it, and I can find no way
30 where you can appreciably save anybody any money.



1 In other words, -- may I add one more, and that one
2 would be milk -- where you would save about $1\frac{1}{2}\phi$,
3 so we submit this: Even if you operate with
4 British ships entirely and apply the entire savings
5 available, you could not see the difference in the
6 retail prices in St. John's, Newfoundland.

7 THE CHAIRMAN: Q. Have you worked out
8 asphalt shingles?

9 A. Yes, there would be a saving of 19ϕ
10 on 210 pounds square of asphalt shingles.

11 Q. That is one square.

12 A. I do not know. I would say 210 pounds
13 would be more than a square. 210 pounds is 10 to
14 the ton. It is quite a lot of shingles.

15 Q. Very heavy?

16 A. Yes, quite. Continuing with this,
17 what I am trying to say is, that the use of these
18 British ships would not actually save the consumer,
19 the consignee, any money which could be reflected in
20 the prices of those articles at destination.

21 However, someone may turn around and say,
22 "Well, these figures that you have given are so
23 small, why are the Canadian shipowners making such
24 a fuss about it?" Well, although the difference
25 is small in reference to the freight saving, it
26 does represent a distinct and real contribution
27 insofar as the shipowners are concerned, and it
28 amounts to \$65,000 in wages over any one year which,
29 as I have mentioned, is the main item of differ-
30 ence between the Canadian and British ships.



1 MR. BROCK CLARKE: Q. Is that per ship?

2 A. That is for one ship operating on a
3 twelve-month basis.

4 Q. A larger size of ship?

5 A. The same size as those listed in this
6 exhibit.

7 Q. When you say "this exhibit" you mean
8 Exhibit 85?

9 A. 85, and that is the difference between
10 the wages paid on the S.S. Novaport and on the S.S.
11 Sheldrake for that year. As I have mentioned
12 before, we have been able to meet this competition
13 to date, but with this serious disadvantage we do
14 not see how we will meet it for an indefinite period
15 in the future when the Seaway is completed.

16 Before I leave this exhibit I would also like
17 to say if we are looking for freight reductions, is
18 the British ship the only solution? We show that
19 British ship, and their saving was 8 percent in
20 freight rate costs. I would also like to say, as
21 you see, that a 20 percent increase in the average
22 tonnage carried will give you just about the same
23 figure, 7.5 percent.

24 In addition to that, another item is, for
25 instance, if we can get efficient operation at
26 St. John's, Newfoundland, the terminal cost -- in
27 other words, have the same efficiency as Montreal --
28 we think we could save, I think, 9¢, which is 9
29 percent; so there are other alternatives to the
30 use of British ships -- more efficiency in some of



1 the terminals and additional cargo being carried on
2 the shipment. There are two of them right there.
3 There may be others I can work out.

4 Now, I would also like to say that we have
5 first of all studied two ships, a Canadian ship and
6 a British ship, and although they are old they are
7 approximately the same type, the same age and so on.
8 And we have heard also statements that although we
9 are operating this Novaport now, it would be impos-
10 sible to operate these ships, or any ships, if we
11 had to replace them by new ships.

12 I would like to mention that I do not think
13 that is peculiar to the shipping industry. If the
14 Ford Motor Company had to go and replace all of its
15 plants in any year, could they afford to sell Ford
16 cars for the same price? I do not think so. For
17 that reason, they can sell a Ford car at a certain
18 price, because some of their plant was built twenty
19 years ago, some of it ten years ago, and some of it
20 today, and still some is for the future.

21 In shipping, I can refer to a statement that
22 was made, for instance, by Capt. Nutting, Chairman
23 of the Coast Line which operates 100 ships in the
24 British coasting trade, and he stated at a recent
25 shareholders meeting that if this fleet was built
26 at current building costs, they would fail to pay
27 their way at current levels of freight and passen-
28 ger fares. In other words ---

29 Q. Was he referring to building in
30 Britain or some other place?



1 A. He meant that if this fleet of 100
2 ships was rebuilt today in Great Britain the cost
3 would be so much higher -- and it is only because
4 they have the fleet today, they would have to pay
5 higher rates.

6 So what I am saying is, if that statement is
7 true, it is true for all industry, not only the
8 shipping industry. That situation may not be as
9 bad as we think at first glance. A new vessel would
10 naturally be more efficient, speedier and carry more
11 cargo.

12 Now, if you turn to page 2 of the exhibit, I
13 have tried to produce exactly the same figures as
14 previously for the existing ship, for a new vessel;
15 a new diesel 3,800-deadweight 240,000 cubic foot
16 vessel built in Great Britain. This is based on
17 the same type of figures as was the previous one.

18 You will notice that the two types are very
19 very similar in deadweight, but that the cubic
20 capacity of the new vessel would be very much larger,
21 being about 45 percent larger cubic. Can you
22 understand that? The reason for that is actually
23 on the present vessel of 165,000 cubic feet, it
24 carries much more weight involving weight cargo of
25 between about 2,000 tons, so there is plenty of
26 deadweight which is not used. What we need is
27 space in this kind of trade. Consequently, they
28 have built a new ship which would probably increase
29 the deadweight slightly but would increase the cubic
30 greatly.



1 Q. How can you do that?

2 A. Well, the deadweight which the ship
3 will carry -- you will have to make the ship longer,
4 maybe broader, maybe a little deeper in the holds,
5 tween decks to get your space and, as far as the
6 deadweight is concerned, that is, in relation to the
7 draught of your ship, indicates how much weight it
8 will support. You see, by having less draught you
9 would have lower deadweight. That would be one
10 of the ways ---

11 Q. I notice the new vessel would be a
12 diesel rather than a steam vessel. Would that have
13 any bearing?

14 A. I have given you a diesel because we
15 feel if the present vessel is to be replaced by a
16 new ship, it would be a diesel, which would be larger
17 and which would have greater speed.

18 You can see by a study of this suggestion of
19 "available for profit or rate reduction", the
20 figure is changed in the case of a Canadian ship to
21 5.7 percent and for a British ship to .6 percent.
22 Now, I would like to say ---

23 Q. When you show .006 ---

24 A. .006¢ or .6 percent. Those are
25 all worked in cents on the dollar. You can just
26 take the percentage off with any figure. Now,
27 this record shows, as I have said, with a new ship
28 you would naturally require more money on the same
29 basis as now to operate, more freight revenue.
30 However, that can be overcome in several ways. For



1 instance, you will note that B shows that with that
2 increase in average tonnage carried, we can save,
3 talking of the Canadian ship, 8.4 percent, which is
4 enough to compensate for the additional cost of this
5 vessel.

6 Q. In other words, it is a difference
7 between B and A, so that the net amount would be
8 how much?

9 A. The net amount available for freight
10 reduction or profit would naturally be 3 percent,
11 the difference between the additional profit or
12 "available for freight reduction" of 8.4 percent
13 and the addition to the ship's cost of 5.7.

14 If you went further and you were able to in-
15 crease the average tonnage by 40 percent, you would
16 actually have a total saving by that of 14.5 percent.

17 We have also shown in D if the vessel is
18 built in a Canadian yard the amount available for
19 rate reduction would have to be decreased due to
20 the higher capital expenditures which are reflected
21 in depreciation, interest and insurance by 10.7
22 percent.

23 Q. If a Canadian ship was built in a
24 Canadian yard and was able to get a 40 percent in-
25 crease in the average tonnage carried, it could
26 actually make up the difference between the extra
27 money it needs because it is a new ship and the
28 cost of Canadian-built.

29 A. That is what those figures mean to
30 me.



1 Q. You mentioned a 10 percent additional
2 cost if the vessel was built in a Canadian yard,
3 which reduces, I take it, 10 percent of the total
4 amount of the freight revenue or freight dollar?

5 A. Yes.

6 Q. Taking the ship operators alone what
7 would be the difference in the cost of operating a
8 Canadian-built ship as opposed to a U.K.-built ship,
9 both ships being operated under Canadian conditions?

10 A. You can see from here it is 10.7 and
11 roughly 10 percent in freight revenue required,
12 when you are going to consider the ship, since it
13 is approximately 50 percent increased cost for the
14 ship alone, so it will be 20 percent, which is re-
15 flected in that 10.

16 In referring to these figures, I also want to
17 mention no consideration has been given to additional
18 earnings which would be available during the winter
19 months because it is more efficient and a more
20 attractive vessel than its predecessor, which is
21 the S.S. Novaport. In other words, if a ship is
22 faster and carries more cargo you can get a higher
23 charter rate in the open months, so that would
24 also help to offset the cost of the new vessel.
25 In other words, in each month that 5.7 percent.

26 In addition to that we must always remember
27 neither ourselves nor any other shipowner is going
28 to replace all the fleet at one time. Since one
29 vessel would be replaced at a time, the older
30 vessels would have been written down to a low value



1 and would be available to help make the entire opera-
2 tion profitable, and the situation would be better
3 again than that which is shown in these figures.

4 In other words, when you take one new ship
5 and two old ships you balance the figures. That
6 is what you need to know.

7 However, the additional cost of operating a
8 Canadian-built vessel as opposed to a British-built
9 vessel has not been recommended by us for the reasons
10 which we have already stated. Although building a
11 vessel in a Canadian yard has the effect -- I have
12 already mentioned that the increased cost of operation
13 -- the additional cost of operation was 20 percent.

14 Q. I have here a statement entitled
15 Breakdown of Application of Freight Dollar on the
16 Same Service to Newfoundland but dealing with it at
17 distressed rates. Can you tell me who prepared
18 that?

19 A. This was also prepared by my staff
20 under my direction.

21 Q. Can you produce this as Exhibit 86?

22 A. I will.

23 ---EXHIBIT NO. 86: Breakdown on Application of
24 Freight Dollar at Distressed
25 Rates.

26 Q. Can you explain to the Commission
27 what this statement is intended to show, what con-
28 clusions you can draw from it?

29 A. Well, what has been done in this
30 case is, we have taken the same ship we were dis-



1 cussing before, which was a 3,500-ton Hansa-type
2 ship, and we have said if this ship came over to
3 Canada ---

4 Q. I take it it is a British ship?

5 A. Yes, a British-registered vessel opera-
6 ted by a British company. If this vessel came over
7 to Canada, times were bad, what would be the basis
8 of the ship operating? First of all, closest to the
9 top, no depreciation, which is (a); they would do
10 minimum repairs and they would not be worrying about
11 reserves for special survey, which could go on for
12 four years hence; so the basis of these figures is,
13 what would be the situation of that ship operating
14 in the trade?

15 Well, you will see that the operating cost
16 of the vessel is naturally drastically reduced and
17 available for profit or rate reduction is 22.6¢ on
18 the dollar, or 22 percent, which means this ship
19 operating at distressed conditions can operate in
20 the Canadian coast and slash rates 22 percent on
21 Arctic cargo, and it would be impossible, I feel,
22 for a Canadian regular liner operator to operate
23 against that type of competition.

24 I would go further even than that and say
25 if these distressed ships were operating in the
26 deep-sea trade and, say, moving from somewhere in
27 Europe or England to an inland Canadian port with their
28 cargo, he would have worked out his voyage revenue
29 so he can move from that port up to, say, Montreal
30 or inland when the Seaway is completed and he



has enough money to make that trip. He would then be in a position to take any cargo and carry it from one point back to Montreal.

He could not only slash his rates 22 percent, which includes his minimum operational cost, but he would be able to cut the operation of the vessel a further 22 percent he could cut into it. The cost of operation of his vessel has already been paid for by other operations.

THE CHAIRMAN: Q. Who is he going to find to pay him on that original basis?

A. Well, do you mean, what shipper will?

Q. He will say, "If you are not going to come back here and you are going to play around from one place to another in Canada, I will get somebody else. If you don't do it, somebody else will".

A. Very often what happens in the shipping business is that you have a fixed ship for a voyage from a foreign port to another port and you work out a figure on that voyage. When it gets to Montreal he says, "That gets me to Montreal and makes me a little profit. Maybe I will be able to pick up a grain cargo for somewhere else, and when I get there I will pick up another cargo for someone", and that is the way that tramp ship owners operate. He may know that fluor spar prices are up two or three dollars before he goes out. Now, what we are saying is, on his way here he may pick up a cargo of fluor spar in Newfoundland and discharge part of his cargo then at Newfoundland in the



1 original voyage, and that is how the tramp ship
2 operators operate.

3 We have been in that position because we have
4 operated in the West Indies. Sometimes we have sent
5 a ship to Venezuela with a cargo of cement and we
6 would have, say, a cargo of sugar in, maybe, Jamaica
7 or Cuba. Now, we have worked out our round-trip
8 so we are going to make a profit on that trip at
9 least, so that when we get to Venezuela if there was
10 a cargo to be moved from Venezuela to Curacao, so,
11 for instance, we can compete for that cargo only
12 taking into consideration our operation of the ship
13 and we will be in a position to take the cargo
14 because we are going that way anyway. That is what
15 actually happens.

16 That is how sometimes you will get terrific
17 fluctuations in the trade market. You get fluctua-
18 tions in the freight rates, I might mention, of
19 sugar or other commodities moving from, say, Cuba
20 to the United States. One day they pay certain
21 rates and the next day they may pay 20 percent
22 lower simply because somebody is in a position to
23 take them at a distressed rate.

24 THE CHAIRMAN: Q. I am pointing out that
25 an astute traffic manager will have a pretty
26 good idea of their business.

27 A. I think the astute traffic manager
28 is the one who can find most of the distressed
29 tonnage in the ocean-going trade.

30 I realize that this is naturally the worst



1 picture we have pictured there as in the case of the
2 distressed vessel, and they could not operate over
3 a long period over all these operations.

4 Q. A Canadian can do exactly the same
5 thing if you forget about depreciation and reserve
6 and everything else.

7 A. That is correct, but he could not
8 continue in liner freight on that basis for any
9 length of time.

10 Q. Neither could the tramp.

11 A. No. The reason is that that is true,
12 that there are not Canadians operating in the deep-
13 sea trade because we haven't any deep-sea trade
14 or very little.

15 MR. BROCK CLARKE: Q. In other words, if
16 the coasting will restrict to Canadian-registered
17 ships, most of the Canadian-registered ships which
18 operate in this trade are liner ships and they are
19 engaged in regular services having definite commit-
20 ments, and they are not coming in and operating a
21 U.K. company and do not have Newfoundland on their
22 way. In addition to that, they do not happen
23 to be in any of those places where they can quote
24 those distressed rates, and even if there were a
25 few Canadian ships that do, they would be very
26 much in the minority compared to the number of
27 British ships which come to Montreal constantly
28 in the international trade.

29 COMMISSIONER WICKWIRE: Q. They say
30 in Newfoundland, and they say in the Maritimes



1 that the presence, or even the threat, of one British
2 ship, whether trading there or not, has a very great
3 influence on the freight rates both from other
4 shipping lines and the railways.

5 A. Well, the railway -- I think the proof
6 of that, that that may not be so, as far as the
7 railways are concerned, is that after the union of
8 Newfoundland with Canada, if the Canadian National
9 Railway felt that its railway tariff is one deter-
10 mining factor on the rates to Newfoundland, their
11 prospectus of it is meaningless, and it has been
12 shown that the Canadian National Railways have not
13 reduced their rates due to British competition,
14 and I think one fact shows that when Newfoundland
15 became part of Canada that the Canadian National
16 Railway put in certain freight rates which they
17 thought were in accordance with the Terms of Union,
18 and the Newfoundland Government contested that
19 and said that they thought the rates should be on
20 a lower basis, and they made representations to the
21 Government of Canada and to the Board of Transport
22 Commissioners; and the Board of Transport Commis-
23 sioners heard the case and their view differed
24 from that of the Canadian National Railway and the
25 rates were lowered. The point I am making there
26 is that that was in 1951, which was some years
27 after the British ships came in first. The first
28 British ships operating in that trade regularly
29 were brought in in 1949 or 1950.

30 THE CHAIRMAN: Q. There was one service



1 has been operating for one hundred some odd years.

2 A. That is the Furness, Withy Company
3 from the Maritimes.

4 Q. Yes?

5 A. I am talking about freight. That
6 would be true -- The same thing from Montreal. There
7 was occasional business before the Union. The
8 British ships which have come in, they have now
9 stayed in the business. Furness, Withy have been
10 regular ---

11 Q. And their predecessor?

12 A. Yes -- have been giving regular ser-
13 vice over that long period of time. It was not the
14 introduction of these British ships, but it was the
15 Order of the Board of Transport Commissioners which
16 forced the Canadian National Railways at that time
17 to lower their rates; so that it shows that they
18 were charging the maximum available amount allowed by
19 the Board and were forced to lower that rate, and
20 they still continue at the maximum allowed by the
21 Board.

22 THE CHAIRMAN: Q. They have been lowering
23 them for years so long as this competition is pos-
24 sible.

25 A. The lowering that Mr. Clarke men-
26 tioned is the lowering that took place in 1951
27 when the Board of Transport Commissioners ruled
28 that the railways must reduce rates. The one
29 you are referring to is the water competitive
30 rate that was put in in 1954 -- 1953.



1 Q. I do not care whether you call it
2 water competitive or not. It was a lower rate
3 caused by British competition between the Great Lakes
4 and Newfoundland.

5 MR. BROCK CLARKE: You mean that it is caus-
6 ed by British competition? We have endeavoured to
7 show ---

8 MR. STANLEY CLARKE: Is it actually caused
9 by British ships or is it caused by putting in the
10 water competitive rate? In other words, the
11 British ship ---

12 Q. Water competition by British ships.

13 A. There is no differential at the
14 present. I think Mr. Hutcheson has mentioned that.
15 I think actually at the present the rate we quote
16 to Newfoundland is exactly the same or just about
17 the same -- is competitive, let us say, with the
18 British rate, and that rate is below the all-rail
19 rate.

20 Q. That rate only occurred after the
21 British competition came in?

22 A. I may say that the first competition
23 after the Union, that was in 1949, was from New-
24 foundland-Great Lakes and they did not operate
25 British ships. They operated Canadian ships. In
26 other words, they brought them down in 1949 and
27 after that they raised them until 1953, when an-
28 other British company came in. Now, there are two
29 people competing against one another and we submit
30 that those rates were then lowered to depressed



1 levels and they admitted that those revenues -- at
2 least, one of the companies has admitted they were
3 not making any money.

4 I agree I think it is unhealthy for any econ-
5 omy to say if one service is losing money that that
6 is a healthy condition, even if temporary, that the
7 results are of some advantage to a particular shipper
8 or a group of shippers or consumers.

9 I think that the policy which is made should
10 envisage a healthy situation where the people who
11 are operating are able to operate at a reasonable
12 profit.

13 THE CHAIRMAN: Q. A healthy situation has
14 been maintained by maintaining the ratio of demand
15 and supply. I am wondering whether it is healthy
16 if you restrict demand and supply.

17 A. Of course, as far as restriction is
18 concerned, we submit that the shipping industry,
19 the domestic shipping industry -- the coasting trade
20 of Canada is a domestic industry and it should be
21 prepared to protect other domestic industry. Now,
22 of course, it is a matter of Government policy ---

23 Q. Well, now, when you speak of protec-
24 tion of other industry, you are dealing with a
25 different phase altogether; as if it is part of
26 this Commission's duty to set foreign policy.

27 A. I am not considering foreign policy,
28 Mr. Chairman. I am considering the policies
29 under which other transportation agencies operate,
30 for instance, the airways. A foreign operator



1 is not allowed to come in and operate an airways in
2 Canada on regular lines or even on international
3 lines. The exceptions we have made have been for
4 defence purposes on the D.E.W. line operations, but
5 in the normal course of events they are not allowed
6 to operate in Canada.

7 The same thing with the truckers. If they
8 operate in Canadian business they have to come in
9 and operate Canadian trucking lines. I am not
10 talking about international laws. I am talking about
11 the laws within Canada, so we believe that water
12 carriers are competing with other transportation
13 agencies and they should be in the same situation
14 as other transportation agencies.

15 Q. What are the water carriers that
16 compete on the Newfoundland line?

17 A. We compete with the railways for one.

18 Q. The railways are not water carriers.

19 A. Normally I would agree with you, but
20 there is water carriage arriving at Newfoundland
21 except—they say that the Government can do anything
22 except change a man into a woman, and possibly in
23 this case they have declared Newfoundland to be
24 part of the mainland of Canada, and they treat them
25 as such, as a whole thing.

26 The Terms of Union say the fact that New-
27 foundland is an island is a fact, but as far as
28 the rates are concerned it is entirely ignored and
29 Newfoundland is considered as an extension from
30 Sydney across to Port aux Basques as if there was



S.D. Clarke

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1
2 a rail running right across there, or as if there is
3 a rail line to Newfoundland and various parts of
4 Newfoundland.

5 COMMISSIONER WICKWIRE: Trains are steaming
6 across.

7 A. So there is that particular kind of
8 competition from the railways.

9
10 ---The hearing adjourned at 1:15 P.M.
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1 ---On resuming at 2.40 P.M.:

2 MR. BROCK CLARKE: This morning, Mr.
3 Chairman, you raised a question relating to Exhibit
4 No. 83 and asked what was meant by a 200 pound square
5 of asphalt shingles. That is on the second page
6 of the exhibit. Mr. Clarke didn't know the answer
7 to your question this morning, but he has since ob-
8 tained the information and I think can now tell you
9 what that consists of.

10 Q. Would you tell the Commission what a
11 200 pound square consists of?

12 A. Well, asphalt shingles are sold and
13 shipped in what is known as a square. It weighs
14 210 pounds. It consists of three packages of
15 shingles of about 14 by 18 inches each way. It
16 actually contains enough shingles to cover 100 square
17 feet of roof. I made a little calculation on a
18 small-sized house, that the decreased freight rate
19 we were working on ---

20 Q. That is the 8%?

21 A. The 8% reduction in freight rate due
22 to using British ships, which would -- say, at
23 the rate of 19¢ per square foot -- it would save
24 a total of about \$1.20.

25 Q. On a house of what size?

26 A. 30 by 20.

27 Q. That is a small house, 30 by 20.

28 THE CHAIRMAN: \$1.20?

29 A. \$1.20.
30



1 MR. BROCK CLARKE: Q. Now, at the adjourn-
2 ment the witness was telling us ---

3 THE CHAIRMAN: Asphalt shingles on that
4 house would cost something around \$200, wouldn't
5 they?

6 A. Well, no, there would be about six
7 and a half squares at \$11.50 a square. That would
8 be about \$75.

9 THE CHAIRMAN: That is \$1.20 on \$75?

10 A. That's right.

11 MR. BROCK CLARKE: Q. At the adjournment this
12 morning we were discussing the effect of what may
13 be described as distress tonnage coming into the
14 trade. Could you tell us what would be the general
15 effect of such distress tonnage?

16 A. Well, we must of course realize that
17 the operation of distress tonnage could not be
18 carried on over a long period of time, but it would
19 be sufficient to completely disrupt the trade, pro-
20 bably force regular operators out of business, and
21 ultimately end in the situation where no ships were
22 left to carry on the liner trade when these dis-
23 tress vessels decided to depart or were no longer
24 attracted to that particular trade.

25 Q. Now, the question naturally arises,
26 and it was raised this morning by the Chairman, if
27 you are operating at this differential with British
28 ships between your ships, Canadian ships and British
29 ships, how is it you are able to continue to
30 operate and meet this British competition?



1 A. Well, the first factor is that at the
2 present moment we are operating larger vessels than
3 the ones operated by our British competitors, and
4 the effect of that is that we can carry more cargo
5 in those vessels. And you see the effect of it
6 in the exhibit, 85, which shows the effect there
7 of increasing the average tonnage carried by your
8 vessel. That is the first effect. The larger
9 vessel. Then, in addition to that, we are operating
10 only from Montreal, which I mentioned some of the
11 advantage a little while ago, it enables us to give
12 a quicker turn-around to our ships and get a better
13 use out of those vessels and operate more economi-
14 cally.

15 Thirdly, we carry out our own loading and
16 discharging operations and operate our own terminals
17 at Montreal, which we feel probably saves us some
18 amount of money over the British operators who, in
19 some cases, are having stevedores do their steve-
20 doring and may be operating out of other premises.

21 Fourthly, we have been in this trade, as you
22 see from the history, for some considerable length
23 of time and are probably acquainted with many of
24 the characteristics to a greater degree than
25 our British competitors. They are getting ac-
26 quainted with it now but we have been in it for a
27 considerable length of time.

28 I would mention, however, that these advan-
29 tages may disappear in time, particularly after
30 the Seaway is completed and larger British ships



1 may be able to compete in the trade. We would then
2 be at a disadvantage, a distinct disadvantage, in
3 operating Canadian ships due to their higher costs
4 of operation.

5 Moreover, we could not take the necessary
6 steps to provide new vessels and improved facilities.

7 Q. Having regard to the information which
8 has been presented to the Commission, both by your-
9 self and the other witnesses, could you summarize
10 for the benefit of the Commission the position of
11 your company?

12 A. Well, first of all, the company's
13 history shows that it has been in business since
14 1921 and has been an important factor in the develop-
15 ment of the North and South Shores of the St. Lawrence
16 and of Newfoundland through a difficult period, and
17 one which has seen the development of a great por-
18 tion of these areas from primary producers on a
19 small scale to large industrial projects. I am
20 referring now to things like Seven Islands, Forest-
21 ville, Baie Comeau, Havre St. Pierre, and also the
22 tremendous development which is now taking place
23 in Newfoundland industry.

24 We are ready and interested in continuing
25 to help this development but must have the neces-
26 sary economic climate to carry this out. I be-
27 lieve that our past performance has shown that
28 we have had available the ships required as they
29 were needed, and are ready to continue to provide
30 them as occasions require. Already one



1 additional Canadian ship could be operated on the
2 Newfoundland run in lieu of a chartered ship which
3 we are now using. Further tonnage may be required
4 in the near future.

5 I now speak of facilities at St. John's,
6 Newfoundland, which must be radically improved for
7 the efficient handling of freight, and this will
8 have to be done either by expenditures of money by
9 our company or by our company making long-term
10 commitments to our agents at St. John's so that
11 they can carry out this work. All of these steps
12 do require a large amount of capital. For instance,
13 a ship, a new ship, to operate on the Newfoundland
14 run would cost about one and a half million dollars
15 and comparable amounts would have to be expended for
16 other vessels for other coastal trades. Large
17 amounts also are needed to improve these wharf de-
18 velopments that we have mentioned at St. John's.
19 It is obvious that this cannot be done unless we
20 are offered reasonable protection to warrant such
21 large expenditures.

22 If the coastal trade is not restricted to
23 Canadian ships the situation will not be such that
24 these projects can be undertaken.

25 Q. Could you say that again? Will be
26 such ---

27 A. If the coastal trade is not restric-
28 ted to Canadian ships the situation will not be
29 such that these projects can be undertaken. And,
30 furthermore, it is likely that some of our present



ships might have to be transferred to British registry to keep them in operation.

Q. What would that mean as far as the crews are concerned?

A. Each of the Newfoundland ships has a crew of thirty-one Canadians at the moment. If transferred to British registry those crews would be without employment and British seamen would be taking their place. That is seamen and officers. That is on each of the ships. That is, there are thirty-one men on each ship. We believe that shippers need uniform rates and cannot rely on periodic uneconomic distressed rates which may benefit one shipper who has been fortunate enough to make a contract to the detriment of others in regular business in the same locality.

Canadian operating companies have shown their willingness and ability to maintain reasonable economic rates to Newfoundland and other points at the present time and are now quoting competitive rates with all other means of transportation, including British ships. We sincerely believe ---

THE CHAIRMAN: Q. They are doing that because British ships are there to compete. It is no credit to you to meet competition. You have to, to live.

A. That is true, but we are meeting it and we are staying in business at that rate. We are trying to point out ---

Q. If it disappeared, would you continue



1 to meet it? That is the fear of the Newfoundlander.

2 MR. BROCK CLARKE: Of course, competition,
3 Mr. Chairman, can come from other than British ships.

4 THE CHAIRMAN: Oh, yes, but it is competition
5 which you say is a crippling competition.

6 MR. BROCK CLARKE: That is correct, because
7 they are enabled to operate at a lower cost. If
8 we were competing at the same level -- that is, if
9 our costs were the same as theirs -- then there would
10 be no complaint or no justification for us to make
11 any complaint; but if ships are allowed to come in
12 from another country and operate at lower rates be-
13 cause of conditions which exist in that country,
14 over which we have no control and which our Govern-
15 ment has no control over, then we are being put at
16 a distinct disadvantage. I might mention, as I
17 believe I mentioned this morning, Mr. Chairman, that
18 the first competition on the Great Lakes after union
19 was from Newfoundland-Great Lakes, who were operating
20 Canadian ships, and the following year when they
21 operated British ships the rates were actually
22 higher. That indicates that when they came into
23 the trade -- at least it indicates this to me -- it
24 is a question of interpretation -- but it indicates
25 to me when you come into a trade you haven't been
26 in before the only way you can get any business is
27 to undercut, and that is what they did. And when
28 they had built a place for themselves in the econ-
29 omy, they raised rates because they were in a
30 position where they had customers. And then the



1 next time the rates were reduced drastically was not
2 because they were operating British ships but because
3 another company also operating British ships came
4 in and competed with them. But the same thing
5 could have applied if one Canadian company had com-
6 peted against another. I mean, the element of
7 competition we admit has an effect on rates, whether
8 it is competition with other ships or any other
9 means of transportation, but it doesn't mean that
10 that competition has to come from British ships.

11 Now, in this particular case the competition
12 is British ships, but it could be equally Canadian
13 ships. If it were Canadian ships the only margin
14 between the British and Canadian ships is this 8%,
15 which, in our submission, doesn't mean very much
16 to the consumer, but means a great deal to the ship
17 operator, because in the long run nobody can stay
18 in business ---

19 THE CHAIRMAN: We understand that submis-
20 sion. We also understand it is only addressed to
21 package freight carriers.

22 MR. BROCK CLARKE: That is correct.

23 THE CHAIRMAN: But apart from that, and
24 dealing with the question which you brought up first,
25 one British operator comes in, there is room for
26 him at the present rate, as he so finds out pretty
27 soon. So he moves up. Now, suppose another
28 Canadian operator came in the next year instead of
29 a British operator. He couldn't cut down below
30 because his costs wouldn't permit him. But a



1 British operator did come in and his costs did per-
2 mit him to go below the current rate. He did so
3 and he brought the rest of you down.

4 MR. BROCK CLARKE: I don't know whether we
5 are referring to when Newfoundland-Great Lakes came
6 in or when Constantine came in.

7 THE CHAIRMAN: Well, Newfoundland-Great Lakes
8 came in first.

9 MR. BROCK CLARKE: They came in with Canadian
10 ships, Mr. Chairman.

11 THE CHAIRMAN: You say when there were
12 British ships it was even higher. They found there
13 was room for them at the current rates. Well, they
14 are not philanthropists.

15 MR. BROCK CLARKE: I think the submission was
16 that they did lose money over the first few years of
17 operation. In fact, I think they said in their sub-
18 mission in Newfoundland that they hadn't made any
19 money yet. I admit that conditions were such that
20 they met new competition, and therefore they faced
21 depressed rates at a later rate which they had per-
22 haps not foreseen; but nevertheless they had not
23 been making any money, according to their own state-
24 ment, as I recall it, before the Commission.

25 COMMISSIONER WICKWIRE: Might that not
26 apply in the opening of a branch of a trust company
27 or a super-market or any business?

28 MR. BROCK CLARKE: That is correct. And
29 if a Canadian operator had gone in he might have
30 done exactly the same thing and absorbed the loss.



1 All we are saying is that there is an 8% differential
2 on the package freight. We consider that that dif-
3 ferential is not as serious to the consumer, even
4 if he had to pay that extra 8% of the freight portion
5 of the laid-down cost of the article in the store,
6 it is not a serious matter, but it is a serious
7 matter as far as the shipowner is concerned.

8 Now, you have a Canadian shipowner and you
9 have a British shipowner ---

10 THE CHAIRMAN: You are applying it to package
11 freight. What would the difference in the hauling
12 of the various products of Newfoundland to the
13 Montreal area be?

14 MR. BROCK CLARKE: Most of the freight to
15 Newfoundland is package freight. There is very
16 little bulk freight to Newfoundland.

17 THE CHAIRMAN: From Newfoundland, I say.

18 MR. BROCK CLARKE: From Newfoundland, I
19 think our submission is simply that that is a return
20 cargo and our basic structure is based on our rate
21 structure to Newfoundland, because that is where
22 the majority of our cargo is carried, and that as
23 package freight ^{it} naturally gets a higher rate than
24 bulk cargo. So that in the case of the return
25 freights we are able to meet and have met the com-
26 petition from British ships that has been offered
27 so far.

28 THE CHAIRMAN: Now, whether you are meeting
29 it or not, there are plenty of British ships in
30 that traffic and I don't show -- the Clarke



1 Steamship hasn't been hauling any coal from Sydney,
2 has it?

3 MR. BROCK CLARKE: I was thinking of the
4 Newfoundland trade when I mentioned that, Mr. Chair-
5 man.

6 THE CHAIRMAN: I mean the East Coast proposi-
7 tion. In Newfoundland you had some of the fluor spar.
8 You say some of it has been carried by the subsidiary
9 of the Aluminum Company on their British ships?

10 MR. BROCK CLARKE: Yes, but that is only
11 this year, Mr. Chairman. In prior years we carried
12 that cargo and this year they tendered to us 20,000
13 tons and didn't ask us to carry any more. They
14 turned over to their subsidiary, or to the other
15 subsidiary of the Aluminum Company, Saguenay Termi-
16 nals, the carriage of the remainder. It wasn't a
17 question of a rate and it wasn't the question of
18 other factors, such as the availability of ships.
19 It was simply that they gave us a certain amount
20 and then turned it over to them. They never asked
21 for a quotation on any more than 20,000 tons.

22 THE CHAIRMAN: I would be very surprised
23 if their rate was not considerably lower than
24 yours.

25 MR. BROCK CLARKE: We don't know what the
26 rate is, of course.

27 THE CHAIRMAN: The same company said to
28 us here, I believe, only yesterday that in the
29 fluor spar development they were competing with
30 other sources of materials. Surely they would



1 have the Saguenay Terminals competing with other
2 shipping. They would ensure, I think, that competi-
3 tion.

4 MR. BROCK CLARKE: It may have cost them
5 less. We have no way of knowing what the price is.
6 It is a private arrangement between the two companies
7 within the framework of an organization. And it
8 may be -- you see, Saguenay Terminals operate ships
9 to the United Kingdom; that is the type of operation
10 which we have mentioned before, that a ship can some-
11 times charge a much lower rate because they are
12 coming in perhaps without full cargoes or without any
13 cargo and they can stop in Newfoundland and pick up
14 a cargo on their way in towards Arvida and stop off,
15 drop their cargo in Arvida, and pick up the new
16 cargo which they have on the way outwards from
17 Arvida.

18 THE CHAIRMAN: Don't you think prohibition
19 of that would be a very uneconomic feature? Here
20 is a company -- we'll throw aside for the moment
21 the differentiation of different corporate organiza-
22 tions -- here, in fact, is the Aluminum Company
23 sending its ingots to the United States, and those
24 are ships in international trade ---

25 A. That is correct.

26 THE CHAIRMAN: You are asking that they be
27 prevented from stopping their own ships at New-
28 foundland to bring back their own fluor spar to
29 their own smelter. I suggest to you that that is
30 pretty strong medicine.



1 MR. BROCK CLARKE: Well, we have considered
2 the whole question of bulk shipments. The main part
3 of our traffic is package freight.

4 COMMISSIONER WICKWIRE: That is to Newfound-
5 land?

6 MR. BROCK CLARKE: To Newfoundland, that's
7 right. Economically, it is the more important,
8 both in tonnage and, naturally, in revenue because,
9 as I mentioned, the tariff on package freight is
10 naturally much higher because it has to be handled
11 and it takes more space than does bulk cargo. We
12 admit there are problems dealing with bulk cargoes,
13 for instance coal from the Maritimes, and other
14 bulk cargoes of that sort. It has been our ---
15 I might ask the witness -- I am not a shipping man --
16 I would ask him what he thinks about the carriage
17 of bulk cargoes.

18 A. Actually, I think it has been shown by
19 the actions of various shipowners throughout the
20 world that we are now getting and finding that more
21 and more cargoes are carried by specialized ships.
22 The first of these were the oil tankers which
23 carry petroleum in bulk. Now, we find in the move-
24 ment of ore and that type of commodity we are
25 starting to get specialized ore carriers for the
26 movement of ore. I would believe that if the pro-
27 blem of moving ore or coal from Sydney to, say,
28 Montreal or anywhere else was put to the Canadian
29 shipowners, they would develop vessels which would
30 carry considerably higher quantities of coal at



1 one time, and ultimately, knowing that they were
2 going to be in that trade for a good length of time,
3 they would be able to carry that coal at about the
4 same rate as it is now being carried by British ton-
5 nage. That is my own observation. I haven't
6 worked it out in full detail. We are not in the
7 bulk-carrying trade. I think, furthermore, that
8 that will be intensified when you will be able to
9 operate those ships not only in the Atlantic opera-
10 tion, that is, say, from Sydney to Montreal, but
11 that same ship might be able to go right up the
12 Lakes through the St. Lawrence Seaway, and operate
13 in the ore trade. If there wasn't enough coal
14 moving, that is. Or, it might operate in the grain
15 movement, because they are all the same kind of ship.

16 THE CHAIRMAN: You cannot get coal west of
17 Montreal.

18 A. You cannot at the present time. The
19 only reason probably it doesn't go is because sub-
20 sidies help to get it to Montreal.

21 COMMISSIONER WICKWIRE: And it doesn't go
22 any further because of the 14-foot channel.

23 THE CHAIRMAN: And also because of the
24 competition of the United States coal.

25 A. That's right.

26 THE CHAIRMAN: Of course, as far as coal
27 is concerned, we have had one of the ship operators,
28 at any rate, to whom you refer, say that they
29 would be happy if they never carried another pound,
30 that it is not a very attractive trade for the



1 shipper of bulk cargoes. But I am very interested
2 in your statement that Canadian shipbuilders can
3 develop a specialized vessel close to the cost of
4 the British operator.

5 MR. BROCK CLARKE: Present British operator,
6 I think, was what the witness said.

7 MR. S.D. CLARKE: That's right. That
8 doesn't mean that British operators at the same
9 time couldn't build the same ship and, operating with
10 cheaper labour, could then operate. Supposing the
11 rate today was \$1.50 -- I haven't the figures, but
12 I think they should be able to operate in heavier
13 tonnages if they knew they weren't going to have
14 distress tonnage operating against them.

15 THE CHAIRMAN: A development like the
16 present very efficient grain carrier of the Great
17 Lakes?

18 A. That is what I had in mind. But we
19 must realize that if the trade is still unrestric-
20 ted it doesn't prevent an English operator from
21 building a British ship, putting an English crew
22 on it and coming over here and then maybe getting
23 it a little lower than it is today.

24 THE CHAIRMAN: Q. That is, do English
25 ship operators ordinarily put all their eggs in
26 one basket? Don't they prefer to have a general
27 purpose boat that can be here today and on the
28 coast of Australia next month?

29 A. Well, there are a large number,
30 from what I can see, of British ships being built



1 recently of a specialized ore-carrying design. I
2 do not know the names of them but I have noticed them
3 from the shipbuilding records from England. There
4 is one company that has built six ore-carriers,
5 combination ore and oil carriers. I don't know
6 the name of the company but I do remember that they
7 built them. For instance, I would think that this
8 company that is moving ore from Seven Islands to
9 Contrecoeur will have specialized ore-carriers.
10 That will not be carried in a general purpose tramp
11 ship. That is going on more and more today.

12 Q. Well, they are under British registry
13 but they are owned by a Canadian company?

14 A. No, I am not referring to the ones
15 owned by the Iron Ore Company or their subsidiary.
16 I am referring to the ones in the other brief where
17 there was a charter arrangement for a number of
18 carriers.

19 Q. The Scandinavian ore tankers?

20 A. Yes. I believe they have specialized
21 ore-carriers. I haven't seen the ships but that
22 would be my contention.

23 MR. BROCK CLARKE: Could you go on with
24 your general description of the position of your
25 company?

26 A. Well, the only thing I had left
27 about this question of uniform rates is that I
28 do believe that stability and reasonable rates
29 are more important than highly fluctuating rates, al-
30 though those may be temporarily lower.



1 Now, it has been suggested that British ships
2 be allowed to operate in order to keep freight rates
3 of all carriers at a minimum level. But we submit
4 that if a choice has to be made between British ships
5 with no or very few Canadian ships, which could
6 easily happen, or the restriction of the trade to
7 Canadian ships only occurred, the shipper and con-
8 signee would be in a more advantageous position in
9 the long run in depending on a Canadian steamship
10 company. In other words, this question of competition
11 is there now, but if these British ships drive all
12 the Canadian ships out of the market where is their
13 competition going to be then? And are they going
14 to keep their rates low? They might go to wherever
15 you are afraid Canadian rates will go.

16 Now, you may say: "If all these ships dis-
17 appear we still have the railway". That is the
18 C.N.R. to Newfoundland. Well, you have the railway
19 but ships are very important in the Newfoundland run
20 to give a faster service between Montreal and
21 St. John's and Corner Brook. They give a faster
22 service than the rail and they handle difficult
23 commodities and heavy lifts which the railways in
24 some cases are not able to handle. For instance,
25 the rail limit on shipments through North Sydney
26 is 30,000 pounds, which is 15 tons. A great num-
27 ber of commodities or items move over that tonnage.

28 Q. What would happen if there were no
29 ships available of any kind -- a hypothetical
30 case -- and the railway had to handle all the



1 traffic under present conditions?

2 A. I would say, first of all, the rail-
3 way couldn't handle all the traffic. That is shown
4 by the fact that the railway is carrying all the
5 traffic they can from Sydney to Port aux Basques
6 and are still delivering to ship operators from
7 Halifax additional quantities of traffic. In other
8 words, Newfoundland-Canada and Furness, Withy in
9 the summertime are carrying tonnage for the C.N.R.,
10 and ourselves in the winter, although we do have a
11 lot of direct shipments. In other words, we are
12 also given some quantities of C.N.R. freight to
13 carry to Newfoundland. So, I think the situation
14 is clear that, first of all, they could not carry
15 or handle the volume and, secondly, the specialized
16 types of cargoes, bulky cargoes, would have great
17 difficulty getting there.

18 Now, we might say: "Why would British ships
19 disappear from the trade?" Well, they may dis-
20 appear for any of the following reasons. In case
21 of war they may be recalled to Great Britain.
22 Higher ocean charter rates on the general ocean
23 traffic may make it attractive for them to operate
24 in other trades. Changes in the operating policy
25 of British owners uninterested in Canadian develop-
26 ment other than earning a profit may force them
27 or decide them to remove the ships.

28 Q. You mean by that they may find other
29 trades which are more attractive?
30

A. Well, they might find that they are



1 operating over here still making money but at a very
2 low return. They might find other trades that are
3 more attractive and decide, as a matter of policy,
4 "We are not going to put in any more ships", or,
5 "We will withdraw the ships from that trade and put
6 them into this other trade which is expanding and
7 which will give us a better return".

8 COMMISSIONER WICKWIRE: I do not know any
9 of the details concerning ^{it} but, as a matter of record,
10 what happened to Furness, Withy during World War I
11 and World War II?

12 A. I think in their submission, if I
13 remember rightly, the larger ships were recalled and
14 they were allowed to retain in operation two vessels
15 on the Boston-Halifax-St. John's run. I think
16 there were two ships remained out of, I don't know
17 how many were operating at that time.

18 MR. BROCK CLARKE: I think it is a factor,
19 though, Mr. Commissioner, that the Trans-Atlantic
20 ships were withdrawn from the trade and that New-
21 foundland at that time was a British colony, and
22 therefore the responsibility of the British Govern-
23 ment, whereas today and in the future it would not
24 be the responsibility of the British Government
25 but of the Canadian Government.

26 A. The only other reason I had why
27 British ships might be withdrawn would be if there
28 was an increase in the value of the pound as com-
29 pared to the Canadian dollar. It would upset the
30 present economic balance. I mean if the pound



1 were worth \$5 instead of \$3 or \$2.80 it would mean
2 it would be much more costly for British ships to
3 operate and it might decide them to again withdraw
4 from the trade.

5 The Canadian steamship companies will maintain
6 the lowest rates possible in this trade, but in any
7 case Newfoundland consumers are protected by an
8 all-rail rate with ceilings placed by the Board of
9 Transport Commissioners, and these rates are lower
10 than would normally be charged because of the terms
11 of union of Newfoundland with Canada. In addition,
12 if properly protected, Canadian steamship companies
13 will provide new ships which will enable them to
14 give more frequent and satisfactory service, which
15 we consider of great importance to shippers and
16 consignees.

17 The Canadian shipping industry is an important
18 segment of the Canadian economy. The elimination
19 of Canadian ships would deprive a large number of
20 Canadian officers and crews of their livelihood, and
21 also of an occupation to which many of them have
22 devoted a lifetime. This would also have an
23 important effect on many other industries and
24 trades which depend on business received directly
25 or indirectly from the shipping industry.

26 We, therefore, maintain that by a firm
27 Canadian coasting policy restricting the coasting
28 trade of Canada to Canadian-registered ships,
29 such ships will be in a position to transport car-
30 goes at the lowest uniform rates consistent with



1 economic situations and give a service which Canadians
2 on the various coasts and seaways of Canada have a
3 right to expect.

4 THE CHAIRMAN: Q. Well, then, you would
5 seriously advocate barring such firms as Furness,
6 Withy, with 100 years of experience in the trade,
7 from carrying on?

8 A. Mr. Chairman, I think the case of
9 Furness, Withy is one, looking at the whole situa-
10 tion, which should be given special consideration,
11 although we feel that if the Canadian coastal trade
12 is restricted to Canadian ships, these regulations
13 should be applied uniformly throughout Canada with
14 no special provisions in any case. However, when
15 looking at Furness, Withy there may be a reason,
16 because of the years they have been in service,
17 for giving them special consideration -- in that one
18 particular instance. But even looking at Furness,
19 Withy we have two services. We have the Furness-
20 Warren Line which is operating, I believe, Boston,
21 Saint John, New Brunswick, Halifax, St. John's,
22 Newfoundland, and Liverpool. And we understand
23 that if that trade or that route was not allowed
24 to carry goods between, say, Halifax and St. John's,
25 Newfoundland, or vice versa, Furness, Withy would
26 find that they would have to abandon part of
27 that trip. Of course, they might still come from
28 Liverpool to St. John's, Newfoundland, to Boston,
29 or something like that. If that were the case,
30 and since this trade is certainly important to



1 Newfoundland, and since that company has been for a
2 great number of years in that trade, a special ex-
3 ception should probably be made in that particular
4 case.

5 When we look, however, at the Furness-Red
6 Cross Line, who operate from New York, Saint John,
7 New Brunswick, Halifax, to St. John's, Newfoundland
8 and Corner Brook, we have a different situation be-
9 cause that operation is entirely on this side of
10 the ocean, and if Furness, Withy maintain that they
11 need the Halifax-St. John's, Newfoundland run to
12 make it economic, so does any other operator in the
13 trade. So that, therefore, their competition will
14 need that piece of the voyage and if that piece of
15 the voyage is restricted to Canadian ships, then
16 there is no reason why Furness-Red Cross could not
17 operate their service with Canadian-registered
18 ships. So I really look at two services because
19 they are two distinct services, and certainly we
20 feel that somebody that has been in the trade as
21 long as they should certainly be given some con-
22 sideration.

23 MR. BROCK CLARKE: Q. Have you any sugges-
24 tion, speaking of the Red Cross Line, the Furness-
25 Red Cross Line, and if that trade is required to
26 be carried on by Canadian-registered ships, have
27 you any suggestion as to what could be done with
28 the present ships they are using?

29 A. Well, I certainly think that Furness,
30 Withy should be given the right to transfer those



1 vessels to Canadian registry at that time.

2 COMMISSIONER WICKWIRE: Q. I understand the
3 repairs and re-fits on the Furness-Red Cross Line
4 which you have latterly mentioned, are done in Canadian
5 shipyards.

6 A. That is what I understand. And I
7 would also mention -- I do not know if this is correct
8 today, but certainly a few years ago the crew wages
9 paid on the Furness-Red Cross as opposed to the other
10 Furness Lines, although not up to Canadian standards
11 and although they did employ quite a few British
12 seamen, were certainly considerably above British
13 rates, somewhere in between the two. And actually
14 those ships did employ at that time quite a few
15 Newfoundlanders who are Canadians.

16 MR. BROCK CLARKE: Q. And, therefore, if
17 these ships were required to transfer to Canadian
18 registry what would be the effect on the owners in
19 the rates they would have to charge?

20 A. Well, I don't know the economics of
21 those operations, but I don't see, if Newfoundland-
22 Canada, a Canadian company, is operating with small-
23 er ships from St. John's, Newfoundland, why Furness,
24 Withy could not also operate on the same basis.

25 COMMISSIONER WICKWIRE: Q. Smaller ships?

26 A. Furness, Withy's ships are larger
27 than Newfoundland-Canada's. Personally, from a
28 straight ship economic point of view they have an
29 advantage right there, and even if they were on
30 the same basis of rates of wages as the others,



1 Newfoundland-Canada, they should be able to continue
2 to operate just as Newfoundland-Canada are now
3 operating with smaller vessels.

4 MR. B. CLARKE: That is all our evidence,
5 Mr. Chairman.

6 MR. MUNDELL: Mr. Chairman, I have one or
7 two general questions I would like to ask. I don't
8 know quite who I should ask. I think I should start
9 with Mr. Stanley Clarke.

10 MR. B. CLARKE: I suggest that perhaps all
11 questions should be put to the present witness and
12 any questions which he cannot answer could perhaps
13 be reserved to be answered by Mr. Hutcheson, who
14 is particularly cognizant concerning rates.

15 THE CHAIRMAN: Whoever wishes to answer can
16 answer.

17 MR. MUNDELL: Very well.

18 Q. The first question is: I was wonder-
19 ing if you could file with the Commission a list
20 of the vessels operated by your company, say, in
21 1954 and 1955 with the following information, if
22 you would be so kind: the name of the vessel,
23 when built, where built, the registry, the tonnage,
24 the number of crew, the route upon which she is
25 operated, the wage rates paid to the various
26 classes, the officers in the various classes. Could
27 that be arranged?

28 A. Could I ask you this: You mention-
29 ed tonnage. Do you mean gross or deadweight or
30 net tonnage? Which tonnage would you want?



Q. I don't know.

A. Do you want to know how much cargo it will carry?

Q. Yes.

A. So we could give you the gross tonnage, which is the registered size of the ship and we could give you the deadweight where it is available. In the case of some of the smaller vessels we may not know the deadweight. With regard to wages what did you want to know? The total wage bill per month?

Q. I was thinking of the rates, the rates for the officers, say, and for the different categories.

A. You mean how much does a captain make, a chief officer, and so on?

Q. Yes.

A. Well, we could give you those rates for our own vessels and those rates for maybe some of the chartered vessels, but not all of them.

Q. I was coming to that. I was going to ask you as to the chartered vessels ---

A. I am trying to clarify what you want.

Q. I was going to ask you this question across the board. To the extent that you can, could we have this information on the charter vessels?

A. We will give you all the other information we can give you, and on wage rates we will



1 give you what we can give you. Is that for the
2 years 1954 and 1955?

3 Q. Yes.

4 COMMISSIONER WICKWIRE: Perhaps if Mr.
5 Hutcheson came to the front it would be easier for
6 everybody now.

7 MR. MUNDELL: Q. I should have mentioned
8 this at the start. We actually, as counsel for the
9 Commission, have no views or opinions at all and we
10 always wind up in the position of asking so many
11 questions that we appear to be, perhaps, hostile. I
12 hope you realize we are displaying just blank ignor-
13 ance on the subject.

14 A. Well, we will do our best to answer
15 everything.

16 Q. I think you can only judge our success
17 by the extent of our ignorance. I believe you pub-
18 lished your rates?

19 A. You mean, do we publish rates? Yes,
20 we have tariffs.

21 Q. I wonder if you could file a set of
22 your tariffs for 1949? From then to now?

23 A. You mean every year from 1949?

24 Q. Yes.

25 A. All right. Do you mean for every
26 service?

27 Q. Yes, if you can.

28 A. I think we can do that.

29 Q. I think that has been pretty all we
30 have required this far in the way of general



information. Now, if I can go to some of the sub-
missions that have been made, I must confess I am
in a state of confusion about the kind of rates there
are, say, between Montreal and Newfoundland involving
the use of water transport. I was wondering if I
could just get the types. There is the all-rail
rate. That is the rate quoted by the railway, is
it?

A. That is correct.

Q. That involves a water leg that is en-
tirely a matter between the railway and the ship
operator?

A. The C.N.R. have quoted an all-rail
rate between points in Canada and points in Newfound-
land, and those rates have been set by the Board of
Transport Commissioners and those rates are set ignor-
ing the water carriage. Now, the railway have to
get the freight from Toronto, Windsor, Montreal to
wherever it is going, say to St. John's, Newfound-
land. They can carry that over their own railway
as far as Sydney, over their own boats from Sydney
to Port aux Basques and around by rail from Port
aux Basques to St. John's, Newfoundland. As you
know, the Newfoundland railway is a narrow-gauge
railway, so that a carload starting here

is no longer a carload when it gets there; it
is a car-and-a-half. They can also tender that
freight either at Montreal to a steamship company
to carry to St. John's, or they can tender it at
Halifax, or Saint John, New Brunswick, to a



1 steamship company there for carriage to St. John's.

2 Q. This can all happen under the all-rail rate?

3 A. Yes. It is because of the agreement
4 which various steamship companies have with the
5 railway.

6 Q. What happens, as far as the customer
7 of the railway goes; he gets it at the all-rail rate
8 and he has his goods produced in St. John's, and
9 what goes on in between is really of no concern to
10 him; is that correct?

11 A. That is correct, because as Mr. Hutche-
12 son mentioned, goods carried by steamer to Newfound-
13 land now are carried on an insured bill, so that they
14 are insured just as if they were on a railway and,
15 consequently, as far as the shipper is concerned,
16 he has one bill and his deal is with the Canadian
17 National Railway. Who carries it in between is of
18 no importance to him.

19 Q. Now, then, mention has been made of
20 a rail-and-water rate. What is that?

21 COMMISSIONER BELANGER: Before you go into
22 that -- excuse me -- on this all-rail rate there
23 is some cargo given to Canadian ships and some to
24 United Kingdom ships?

25 A. Well, the cargo is given based on
26 agreements which the railway has with steamship
27 companies. Now, Furness, Withy has such an agree-
28 ment and they are a United Kingdom ship company
29 and they do get cargo from the C.N.R. because of
30 that agreement.



1 Q. And the rate to the consumer is not
2 less than if it were on a Canadian ship?

3 A. It is exactly the same.

4 Q. Exactly the same?

5 A. Yes.

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1 MR. MUNDELL: Q. What is the distinction
2 between the all-rail rate and a rail and water
3 rate, or is there such a thing?

4 A. There is no distinction in rate. When
5 we say rail and water we mean goods are tendered
6 to the railway and instead of being carried all the
7 way through to Sydney they are changed to a water
8 carrier.

9 Q. The rail and water rate, then, is
10 really an all-rail rate?

11 A. That is correct.

12 Q. On the rail rate, the all-rail rate,
13 and the rail and water rate, if the terms are
14 synonymous, you have a competitive rate super-
15 imposed on which is the summer rate?

16 A. The all-rail rate is a competitive
17 rate. There is a water competitive rate in
18 certain areas.

19 Q. Is that an all-rail competitive rate?

20 A. Yes, but it may be also tendered to a
21 water carrier.

22 Q. You see where I am getting confused?

23 A. Yes.

24 Q. There is the all-rail rate, which
25 would be competitive, is that it?

26 A. Yes.

27 Q. When it comes to the final analysis,
28 there are just the two rates, the all-rail and
29 the competitive, as far as the railway operations
30



1 are concerned?

2 A. As far as any shipper is concerned;
3 the competitive becomes the all-rail rate, if he is
4 shipping from that point.

5 COMMISSIONER BELANGER: Q. This summer
6 competitive rate does not exist only for the traffic
7 to Newfoundland? It might exist somewhere else in
8 Canada?

9 A. I don't know where they have rates,
10 but I understood they are water competitive rates
11 put in by the railways as they see fit.

12 Q. And they might exist where there is no
13 U. K. ship?

14 A. It might exist anywhere. Later on you
15 might ask that question of Mr. Hutcheson and he
16 may be able to give you some specific points.
17 This is not the first time a water competitive
18 rate has been put in.

19 Q. Well ---

20 A. For years they have had it.

21 Q. I have been asking this question because
22 I had an impression, from what has been said to us,
23 that the summer competitive rate was due to U. K.
24 competition, but it seems to me that it is due to
25 water competition?

26 A. That is correct.

27 Q. Whether it be U. K. or Canadian?

28 A. Yes, and it is called by the railways
29 a water competitive rate.
30



1 MR. MUNDELL: Q. It is a water competitive,
2 all-rail rate, is that correct?

3 COMMISSIONER WICKWIRE: Do not throw more
4 confusion into it.

5 MR. MUNDELL: Q. Well, I am down to the two
6 rates now. There is the all-rail rate, which is
7 the regular year-round one, except for the competitive
8 rate in the summer, and besides that, from Montreal
9 to St. John's, the shipping companies quote rates?

10 A. Yes, an all-water rate.

11 Q. And that has nothing to do with the
12 railways?

13 A. Nothing to do with the railways.

14 Q. And you can quote on that what rates
15 you like?

16 A. That is correct.

17 Q. So you have, theoretically, as many
18 rates as there are shipping companies?

19 A. That is correct.

20 Q. I suppose the all-rail rate is also
21 a through rate?

22 A. That is correct.

23 Q. In connection with the all-rail rate,
24 the competitive one, which operates -- Well, now,
25 wait a minute. The competitive one operates
26 only in the summer, and it operates---

27 A. The rail competitive rate?

28 Q. Yes. What are the points of origin?

29 A. It operates mainly from the Lake
30 areas. It is an area around the Toronto-Hamilton



1 area. It is not exactly just Toronto; it goes
2 inland from Toronto.

3 Q. What would be the competitive rate
4 shipping from Yarmouth to St. John's?

5 A. I thought there would be just a few
6 questions on what are the different rates, but if
7 you are going to get into specific rates from A to Z
8 I think we should let Mr. Hutcheson answer them,
9 and, if he cannot answer them, we should get a rate
10 man to answer them, because we are getting into
11 rates from specific places.

12 MR. MUNDELL: I was wondering, Mr. Chairman,
13 whether you would like to take your---

14 THE CHAIRMAN: All right, we will recess.

15 ---Recess from 3:38 p.m. until 3:53 p.m.

16 ---

17 ---Upon resuming

18 STANLEY D. CLARKE, resumes the stand

19 MR. MUNDELL:Q. Leaving the intricacies
20 of rates, you have agreements with the railways
21 as to the carriage of goods which is part of the
22 rate fixed by the railway but has nothing to do
23 with the shipper. You carry for the railway
24 under an agreement with the railway?

25 A. That is correct.

26 Q. And in addition to that, you have
27 rates which you quote for carriage, the all-water
28 rate?

29 A. From Montreal.
30



1 Q. Have you any agreements or understandings
2 with any other water carriers as to the rates you
3 charge on the all-water rate, the all-water route?

4 A. We have an agreement on a through rate
5 from Lake ports with the Canadian Steamship Lines,
6 Canada Steamship Lines, which was mentioned by
7 Mr. Hutcheson.

8 Q. That is an all-water through rate?

9 A. An all-water through rate, in which the
10 rate is quoted, say, from those points to St. John's.
11 They carry it to Montreal and we carry it on,
12 and as far as the shipper is concerned, he gets a
13 rate right through.

14 Q. In the hearing in St. John's it was
15 suggested there was a Conference to settle the rates
16 on the carriage from Montreal, amongst a number of
17 companies, in which was stated your own. Is that
18 correct?

19 A. There is no rate set by any Conference.
20 We establish our own tariffs for our own rates.
21 Now, the Lake Carriers' Association publish their
22 rates and naturally the railways publish their
23 rates, but as far as any agreement between another
24 company operating out of Montreal and ourselves,
25 each one publishes their own rates.

26 Q. Do your rates differ widely from the
27 other companies, or not?

28 A. You would have to study the tariff
29 to know how much they do.
30



1 Q. I am probably getting into intricacies---

2 COMMISSIONER WICKWIRE: Q. What brought about
3 the water competitive rate?

4 A. Well, that was a thing which the railways
5 put in to try and compete with competition in that
6 area. We wanted to get more of the traffic.

7 Q. When was that brought about by the
8 railways?

9 A. It was put in first in 1954.

10 Q. Was it as a result of the operation
11 of the Newfoundland-Great Lakes Steamship Company
12 and the Constantine Line?

13 A. Well, the Newfoundland-Great Lakes
14 had been in since 1949, I think, and they had not
15 put it in until 1954.

16 Q. It was to meet that, was it not?

17 A. It was to meet with general water
18 competition in that area.

19 COMMISSIONER BELANGER: Q. You were
20 competing in that area at the time?

21 A. Yes, us and the Canada Steamship
22 Lines.

23 MR. MUNDELL: Q. The all-rail competitive
24 rate published by the railways was designed, then,
25 was it, to meet the rate quoted by the Great Lakes,
26 St. Lawrence and other similar companies in
27 shipping from Toronto to St. John's?

28 A. It was put in to compete with all
29 water carriers operating from those points to
30 St. John's and it would include the C. S. L.,



the Newfoundland-Great Lakes and I presume the.
Constantine.

COMMISSIONER WICKWIRE: Q. And that is only
applicable in the navigation season?

A. That's right, which is when the
competition is there.

THE CHAIRMAN: Q. The C. S. L. and yourself?

A. Yes.

MR. MUNDELL: Q. The C. S. L. and yourselves
would have a through rate from Toronto to
St. John's, is that correct?

A. Yes.

Q. The Newfoundland-Great Lakes would have
an all-water through rate from Toronto to St.
John's?

A. That's right.

Q. How long had you and C. S. L. had your
through rate from Toronto to St. John's?

A. We have had through rates for quite
some time; I don't know how far back.

Q. Ten years, fifteen years, pre-war?

A. Yes. I must correct here that we
did not operate to St. John's until 1946, but
prior to that, on our Corner Brook run, we did
have through rates.

Q. And you and C. S. L. had a through
rate from 1946 on?

A. That is correct.

Q. How did your through rate compare
with the Great Lakes Newfoundland rate? Is



theirs lower than yours?

1 A. Do you mean right now?

2 Q. When they brought it in.

3 A. Well, they only started operating in
4 1949. We will have to take a look at the tariffs
5 to see what the rates were.

6 Q. You had a through rate for seven years,
7 then, before the C. N. ---

8 A. Well, we operated from 1946 and the C. N.
9 did not bring in a competitive rate until 1954,
10 but so did the Newfoundland-Great Lakes operate
11 since 1949. They didn't bring it in until 1954.
12 We just operated a few years before they did.

13 Q. In your opinion, you don't think the
14 Newfoundland-Great Lakes had anything to do with
15 the establishment of the through rate?

16 A. No, but obviously the water carrier
17 had something to do with it because it was put in
18 for that purpose. If it was put in in 1949,
19 the same year as the Newfoundland-Great Lakes
20 went into operation, I would say Yes, they forced
21 it in, but they didn't put it in until five years
22 later.

23 THE CHAIRMAN: Q. When did Constantine come
24 in?

25 A. Constantine came in in 1953, I
26 believe.

27 Q. And the railroad brought the rate in
28 in 1954?

29 A. That is right.
30



1 MR. MUNDELL: Q. Maybe Mr. Hutcheson is the
2 man to answer this, but would you know when they
3 brought in the competitive rate? When they brought
4 that in, did it compare with the C. S. L. or
5 Constantine or Newfoundland-Great Lakes?

6 A. Do you want Mr. Hutcheson to answer
7 right now?

8 MR. MUNDELL: I see no objection to that.

9 Q. (To Mr. Hutcheson) Yes, Mr. Hutcheson?

10 MR. JAMES HUTCHESON: Frankly, to the best of
11 my recollection, in 1954, when this competitive
12 rate came in, when those competitive rates came in,
13 they did not compare in relationship, to my knowledge,
14 to any rates existing at the time, other than that
15 they were depressed from that area.

16 Q. I don't understand "depressed from that
17 area".

18 A. You asked what was the relationship
19 between the rates published by the Canadian
20 National, called water competitive rates, and
21 the existing water rates. In 1953 I don't think
22 anyone could tell anybody just what the existing
23 water rates were. There were no published
24 tariffs, to my knowledge, by the Newfoundland-
25 Great Lakes or by Constantine services.

26 I might as well call it a rate war, that
27 was the situation, between two carriers on the
28 Lakes. Now, the Canada Steamship Lines and
29 ourselves had published a Lake Freight Association
30 tariff and that was available, but the competitive



1 rates published in 1954, if I recall correctly,
2 were even lower than that tariff.

3 Q. Than your tariff?

4 A. Than our tariff. I presume they were
5 published because of information secured as to what
6 the other two companies were quoting; not publishing,
7 but quoting.

8 Q. In your opinion, then, do you think the
9 rates quoted by Constantine and Great Lakes-
10 Newfoundland were the cause of the water competitive
11 rate or, if not the cause of the rate, at least a
12 cause of the level at which it was settled?

13 A. I would put it this way: The
14 Newfoundland-Great Lakes operated from 1949 and,
15 as I stated earlier this morning, there was a
16 certain stability, they were maintaining
17 differentials below all railways. Let us say that
18 represented a value of service. In 1953 the
19 situation was extremely erratic. I don't think
20 anyone knew what rates were being quoted, as rates
21 seemed to vary six or eight or ten times in a period
22 of maybe ten or twelve days. It was a condition
23 existing, I think, which brought the publication
24 of the water competitive rates.

25 Now, water competitive rates exist/just not
26 from that area to Newfoundland, but there is a
27 tariff issued by the railways or the C. F. A.
28 covering Central Canada, between Quebec and
29 Ontario. There is another water competitive
30 rate in the Maritime area. There is also a



1 third one, establishing rates from east to the
2 West Coast. There may be others, but those are
3 three that I know of.

4 Q. In any event, I think you said that the
5 competitive rates were established by the railway
6 company and that when they were so established
7 they were below the C. S. L. and Clarke Steamship
8 through rate?

9 A. My recollection is that they were.

10 Q. I suppose we will have to ask the railways
11 what influenced them.

12 I am sorry if I am repetitive, but surely
13 the only explanation of why they could be below
14 your rates would have been that it was to meet some
15 other rates?

16 A. They must be meant to meet something,
17 or an attempt to stabilize an erratic condition.

18 Q. Do you think it was the latter, or do
19 you think it was the competition?

20 A. I think it is partly both.

21 Q. But it would have stabilized the
22 position just as much if they had come to your
23 level?

24 A. If you don't know what you are
25 competing against, it is an entirely different
26 situation.

27 Q. Now, I have only one or two questions
28 on the exhibits, because I understand Mr. Hunt,
29 who will ask some questions after me, would like
30 to discuss the exhibits. May I start with your



1 Exhibit No. 80. The rate set out in the column
2 under the year 1954 for group A shows a reduction in
3 1954, from 1953; and below that which it was in 1955,
4 What is the reason for the difference? Have you
5 any explanation of why there was this reduction?

6 A. What reduction is that?

7 Q. It fell from 1953 and then rose again in
8 1955. Why did it fall, in the first place?

9 A. This is the all-water rate.

10 Q. I beg your pardon. I have the wrong
11 one. The same thing is true under Group C?

12 A. Yes. In other words, in 1954, the
13 all-water rate established by the Lake Freight
14 Association is now trying to compete with the rail,
15 the competitive rate, which was 139, so the rate
16 we have established there is established as
17 reflecting a proper differential.

18 However, in March, 1955 or sometime
19 around that period the equalization rule came in,
20 which had the effect of increasing the rates west
21 of Montreal and decreasing them east of Montreal
22 and when the rates were published in 1955 they
23 were actually higher, because of the equalization,
24 I would think, than in 1953.

25 Q. The fall was attributable, then, to
26 competition working, and then the rise was
27 attributable to the equalization of rates, is
28 that correct, speaking of Group C?

29 A. The fall to 139 was brought about
30 by the publication of the water rates. Those are



the exact rates published by the railway.

1 Q. That is the competitive rate?

2 A. That's right. In 1955 it came up to
3 150, and I would say that was brought about by the
4 implementing of the equalization rule, which changed
5 the whole rate pattern, of course, throughout the
6 Dominion.

7 Q. And Exhibit 81 is merely a graph form
8 expressing Exhibit 80?

9 A. Exactly.

10 MR. BROCK CLARKE: Just Group B of Exhibit 80
11 is.

12 MR. MUNDELL: Q. And Exhibit 82 represents
13 ocean charter rates, is that correct?

14 A. Yes.

15 Q. Now, Exhibit 83: Can you indicate to
16 the Commission how you calculated the water freight
17 charges per unit in the column following the column
18 of A.Q.s on the first page?

19 A. Yes. We simply took the freight
20 charge on butter, whatever it is, and found what
21 100 pounds of butter was and divided that by 100
22 and it came up with the proper cost for a pound.

23 These are quoted as units. This .018
24 represents the water freight rate charged on a
25 pound of butter from Montreal to St. John's
26 Newfoundland.

27 Q. Well, can I ship a pound of butter
28 to Newfoundland by paying .018?

29 A. No. You would ship 100 pounds.
30



1 If you ship a pound of butter you would be subject
2 to the minimum charge assessed by the company,
3 whatever it is, and it would be certainly much in
4 excess of the .018 cents. However, butter is
5 usually shipped in 100-pound lots, or sugar, I
6 believe, in thousands of bag lots. The rate is
7 established at so many cents per 100 pounds, and we
8 brought it down to one pound of butter, and that is
9 the freight rate charge applicable to a pound.

10 Q. The other rate would be applicable
11 to so much per 100 pounds?

12 A. That's it.

13 Q. I suppose the Commission could obtain
14 this from other sources, but could you give the
15 comparative retail prices of Halifax, Saint John
16 and Newfoundland at this period, which could go
17 ahead of the column set out here as retail prices?

18 A. The retail prices at St. John's,
19 Newfoundland, are listed here.

20 Q. That is right, but could you continue
21 the information as to what the retail price was
22 at a chain store in Montreal or Halifax or Saint
23 John?

24 A. That could be established, but I didn't
25 go into it because it would not be a true
26 reflection of the markup of the goods. What
27 would bring about the markup might be extensions
28 of credit or other influences. I simply took the
29 retail price sold in St. John's, Newfoundland,
30 from one of the supermarkets in St. John's,



Newfoundland, and merely showed the freight charge as a percentage of the retail selling price.

Q. These are the water rates, aren't they?

A. These are water rates from Montreal.

Q. This would not indicate what the rail rate, the competitive rail rate would be?

A. From Montreal, the rail rate would be higher than those rates.

Q. These were your water rates?

A. Our water rates.

Q. Your charges?

A. Our charges.

Q. And off season, you would not be carrying those at all from Montreal?

A. No, when the River St. Lawrence freezes over we maintain service from the ports of Saint John, New Brunswick and Halifax, Nova Scotia.

Q. I think there is another exhibit you filed, Exhibit 84. For the information of the Commission, could you give a breakdown of the cargo carried by the company to destinations other than those to Newfoundland? I am thinking of the North Shore.

A. I could not do it this instant, but it could be done simply.

Q. Could you furnish that to the Secretary by letter? Also, if my understanding of this table is correct, you have a total cargo to and from Newfoundland of 120,240 tons, and then, for



1 all services, which I understand to be all the other
2 services of the company ---

3 A. Yes, Newfoundland included.

4 Q. Yes, you show there a total of 363,500
5 tons.

6 A. That is correct.

7 Q. It is the balance of the 363,500 that
8 I wanted to---

9 A. I see. In other words, you want a
10 further breakdown of the 243,000 tons?

11 Q. Yes, a similar breakdown.

12 A. Yes, I can get that.

13 MR. MUNDELL: Thank you. I think those are
14 all your exhibits.

15 (To Mr. Stanley D. Clarke):

16 Q. Now, Mr. Clarke, on Exhibit 85, the
17 first item under the (a) is operation of vessel.
18 Could you give us a breakdown of what is included
19 in the computation of that figure?

20 A. You mean a breakdown -- there is 45
21 cents on the dollar. Do you want a breakdown of
22 the 45 cents?

23 Q. Yes.

24 A. I have working papers and I could
25 read out some figures.

26 Q. Take the Canadian vessel first, the
27 45 cents, if you would.

28 A. The 45 cents that you see there is
29 made up -- I will go to two decimal points.
30 Is that all right, or do you want it to four



1 decimal points?

2 Q . I think we could keep to two decimal
3 points, and if we get into trouble with the missing
4 decimal points we can inquire further.

5 A. The first item is wages, which is
6 .11 . Next is fuel, which is .07 . Now, I have
7 grouped in the next item stores, victualling,
8 replacement, laundry, sundry, tele-communication
9 equipment, which is .04 .

10 My next item is repairs, overhaul, which is
11 .07 . Next is marine insurance and P.N.I.
12 insurance, which is .036 . Next is depreciation,
13 which is -- now, under depreciation, I considered
14 depreciation and capital charges, and I have .965 .

15 I then have pilotage, port charges, etcetera,
16 of .158, which totals .145.

17 Q. Now, that is for the "Nova" type ship?

18 A. Yes.

19 THE CHAIRMAN: Q. What is the depreciation?

20 A. It is .965 .

21 COMMISSIONER BELANGER: Q. No, .0965 .

22 A. I'm sorry, .0965 .

23 MR. MUNDELL: Q. And is the pilotage .158
24 or .0158 ?

25 A. It is .0158 .

26 Q. And the two large items are the wages
27 and depreciation and capital charges?

28 A. That's right.

29 Q. They are virtually half of the total,
30 not quite?



1 A. That's right.

2 Q. You had chartered the "Sheldrake",
3 I take it?

4 A. Yes.

5 Q. On what terms?

6 A. It was a New York produce type time
7 charter.

8 Q. Is that a daily hire?

9 A. It is based on a monthly hire, so much
10 per month.

11 Q. How did you ---

12 A. Do you want a little explanation on
13 the type of time charter?

14 Q. Yes, please.

15 A. The owner supplies the vessel complete
16 with crew, stores, etcetera, and the charterer,
17 which is Clarke Steamships, pays for the fuel,
18 pilotage and dock charges and, of course, any
19 loading and unloading and so on. So far as the
20 vessel's operation costs are concerned, the only
21 items we pay for, in addition to the time charter,
22 is the fuel and for the other item of pilotage
23 and so on.

24 Q. How much was the charter, by the way?

25 A. One season of navigation.

26 Q. So you had to reconstruct the
27 figures, other than fuel and pilotage?

28 A. That is correct.

29 Q. How do you reconstruct the capital
30 charge?



1 A. In the case of the capital charges,
2 as I told you in the beginning, it is a question of
3 trying to get a reasonable figure. These are not
4 necessarily what we charge for depreciation, because
5 depreciation now is on a sliding scale, so I have
6 charged here both the British shipping and
7 Canadian shipping with the same depreciation
8 charges, because they are both ex-prizes of war,
9 the same type, and therefore were chargeable,
10 were available on the market at the same price,
11 and to bring them to the same standard would have
12 cost roughly the same amount of money.

13 These are not new ships. They were obtained
14 from practically the same source. One boat was
15 paid for in pounds and the other in dollars,
16 but they were paid for at equivalent rates.

17 The depreciation charged is based on ten
18 per cent, the total capital charge. I did that,
19 allowing two and a half per cent as the decreasing
20 interest charge, and the remainder would write
21 the ship off over 13 years, which was what, since
22 these were war surplus vessels, I thought was an
23 economical picture.

24 Q. As between the ordinary British ship
25 and the ordinary Canadian ship, would you say it
26 would be a proper thing to take the same capital
27 charge?

28 A. Well, if a Canadian registered and
29 operated ship was built in England and at the
30



1 same time and in the same yard as a British ship,
2 they should cost the same money, so therefore the
3 capital charges should be the same.

4 Q. If it was a Canadian-built vessel as
5 compared to a British-built vessel -- I will
6 confine my question to just that.

7 A. Then the difference in capital charges
8 should reflect a difference in the items of
9 interest and depreciation, say seven and a half
10 per cent or ten per cent or whatever you like,
11 which would be ten per cent on the difference
12 between costs in Canada and the U. K.

13 Q. And from the standpoint of the company
14 I suppose it would be just about the percentage
15 equal to the difference in cost?

16 A. Yes.

17 Q. So if it was two-thirds, it would be
18 six cents instead of nine cents, then?

19 A. There is also another item of marine
20 insurance which would be higher in the case of the
21 Canadian-built ship, but in this case I am
22 considering two identical ships.

23 Q. I am trying to find out what you were
24 doing, and that is fine. That is the basis you
25 were doing it on?

26 A. Yes.

27 Q. Now, on the wages, the wages -- This
28 was a British vessel?

29 A. Yes.

30 Q. Were the wage rates -- You have



1 allowed -- What were the wages for the "Sheldrake"?

2 A. I have .04 .

3 Q. And you had .11 for the "Novaport"?

4 A. That is correct.

5 Q. The difference is .07?

6 A. That is correct. Actually it is true
7 that we have some problem ~~trying to~~ get to the right
8 figures, but we have enough information on hand
9 to be able to assess what the correct figure should
10 be for even a British ship. For instance, wages
11 are the biggest factor. We know what the wage
12 rates are. We know what the overtime rates are.
13 We know the amount of crew. We can estimate
14 from that to a certain figure. I can give you
15 an outline of the work we did to show they are cor-
16 rect.

17 Q. On the wages, you are satisfied that
18 is a correct calculation?

19 A. I think so.

20 Q. So the .11 and the .04 are strictly
21 comparable?

22 A. Right.

23 Q. It is three times roughly on the
24 Novaport?

25 A. That is right. If you want to
26 compare -- roughly it is. I think the Novaport
27 may run \$3,500 ---. The Sheldrake may run or a
28 British ship may run around \$3,500, and a Canad-
29 ian ship may run \$8,500. In other words, there
30 is \$5,00 more. It is roughly the same.



1 Q. One general question I want to ask,
2 if I may, as to how you did the breakdown. What cal-
3 culation did you go through to break down this
4 dollar?

5 A. To get the freight dollar what I had
6 to do is work out all these costs per ton of freight
7 moved, and then take the average revenue per ton
8 and divide that average revenue into the cost per
9 ton and we get the cost per day.

10 In other words, just for example, if a ship
11 cost, say -- I would have to get -- I have not got
12 the figures. If a ship cost us, say, roughly,
13 \$10 a ton, just for example, and the average revenue
14 was \$20 per ton, you divide ---

15 Q. It has been suggested by Commissioner
16 Belanger that perhaps it would be possible for you to
17 file a calculation. Would that be convenient?

18 A. I would prefer to go over them with
19 somebody that wishes to look at them and convince
20 them that the figures are correct till we get to
21 this so-much-per-day revenue, if that is acceptable.
22 First of all, I would like some of these figures
23 to be made available, for instance ---

24 COMMISSIONER WICKWIRE: You need not worry
25 about that.

26 A. Even if we took, for instance -- this
27 working arrangement here, you would need more in-
28 formation again about that. What you have to do
29 is to look at them. We will go over them to show
30 that is what calculation we got that made that



1 figure. I do not think you would know what this
2 sheet is.

3 MR. MUNDELL: Q. I was wondering if you
4 could give us any explanation of these costs?

5 A. It is not much help without an explana-
6 tion.

7 COMMISSIONER BELANGER: Q. You see, up to
8 the present we have only been given the operation of
9 a Canadian vessel. Of course, we would like to have
10 someone's figures for other vessels.

11 A. I can give you a lot of these figures.
12 I still think even if I file every piece of working
13 paper I have, you would still have to have it ex-
14 plained to find out why we did certain things.

15 MR. MUNDELL: Q. I suppose there is really
16 no reason why the explanation and the method of
17 calculation you adopted should not be filed. What
18 you are worried about is the figures?

19 A. That is right.

20 Q. I would think it would only be proper
21 the method of calculation should be part of the
22 record, or would it be easier to write out an ex-
23 planation, or would you rather put it on the record
24 now?

25 A. I can explain exactly ---

26 Q. It is very difficult for us to under-
27 stand it verbally.

28 A. What I am saying is, even if I gave
29 you these working figures, I will have to explain ---

30 Q. You would have to give an explanation



1 of how you arrived at the figures, but I suppose
2 any calculation should be open to ---

3 A. You would want me to prepare the steps
4 which were taken to prepare these calculations ---

5 Q. If you would.

6 A. And then file that and file figures
7 separately. Is that the way you want it?

8 Q. I think that would be satisfactory,
9 subject to your direction, Mr. Chairman. Could
10 that be done?

11 A. Yes.

12 Q. I take it the same method of calculation
13 was followed with Exhibit 86, except the elimination
14 of certain items, is that correct?

15 A. That is the distressed tonnage vessels.
16 Yes, what I did there was, we eliminated depreciation,
17 of course, and we eliminated overhauling and left
18 enough money to do the repairs of the ship, to do
19 the voyage repairs of the ship.

20 Q. I am sorry. Before we get to Exhibit
21 86, I had forgotten about page 2 of Exhibit 85.
22 What did you do about your capital item there?

23 A. The first one I based the ship at
24 \$1,200,000, when it was built in Great Britain,
25 \$1,800,000 -- the capital charges are 5 percent
26 for depreciation, $2\frac{1}{2}$ percent for interest, which is
27 a total of $7\frac{1}{2}$ percent, giving the life of the ves-
28 sel as twenty years.

29 Q. Both vessels were built ---

30 A. Both vessels have the same capital



cost, consequently the same capital charge.

1 Q. You have mentioned \$1,200,000, it
2 would be about \$1,800,000 or \$1,900,000.

3 A. Yes. If you go down to item D that is
4 how we arrive at our extra capital cost for a
5 Canadian-built vessel.

6 Q. The difference in this figure is the
7 net item of the difference of the capital cost if
8 the ship were built in Canada?

9 A. That is correct. It represents de-
10 preciation, interest and marine insurance on the
11 difference between the British capital cost and the
12 Canadian capital cost.

13 COMMISSIONER BELANGER: So in the second
14 column here on page 2 your capital cost is the same
15 as in the first column?

16 A. Yes, because if you notice at the top
17 it is a new vessel built in Great Britain, so both
18 vessels were built in Great Britain, so they both
19 cost the same amount of money.

20 Q. One other thing, if I can go back to
21 Exhibit 85. What would have happened if your
22 calculation was on the operation of a vessel on the
23 basis of charter hire plus the two items which you
24 had yourself? Would it have made any difference?

25 A. I don't think I worked that out.

26 Q. Would the charter hire have run high-
27 er or lower than the amount you figures?

28 A. Quite possibly -- I would have to
29 work it out. I have not made that calculation.
30



1 Q. That would be the realistic one to have
2 had, what it is costing us.

3 A. Yes.

4 Q. I wanted to compare the British opera-
5 tion.

6 A. Yes, the charter hire, I would think,
7 would be maybe a little higher because there is the
8 profit element extra for a boat like that.

9 Q. It would be a useful way of checking
10 on your own calculations as to whether it would be
11 higher or lower.

12 A. Except for one other factor, and that
13 is on these ships we do not know what depreciation
14 has been taken in past years, so it does not tell
15 us the picture of that particular company at this
16 particular time.

17 We have tried to make these into a true com-
18 parison. If you had a company that over the years
19 of that ship were able to write off a considerable
20 amount, the capital charges would be very, very low.

21 In this we have attempted an average. I
22 do not know the difference of taxes between Great
23 Britain and Canada. We have allowed, for instance,
24 an extra 13 percent the first year, but their de-
25 preciation charges may be considerably lower than
26 this figure. If you are going to compare two
27 ships you have to do it on an equal comparative
28 basis. It is not actually what one company has
29 been able to do actually as against what another
30 company does. The difference could be on your



capital charge.

1 MR. MUNDELL: I do not intend to go any
2 further into the exhibits at this point, Mr. Chairman,
3 subject to your direction.

4 Mr. Hunt wishes to speak to them.

5 MR. HUNT: Q. Now then, Mr. Clarke, as I
6 understand it, the fundamental propositions which you
7 put forward, I think you put forward really four.
8 I would like to check them with you to see if I
9 have them correctly. One is, you feel you will not
10 be able to compete actually in the future on the
11 Newfoundland run, is that correct?

12 A. That is correct because there is a
13 considerable difference in the operating costs of
14 a British ship and a Canadian ship.

15 I did not exactly say that we could not com-
16 pete, but I said it will mean we will be forced --
17 if British ships are allowed to operate in that
18 trade, we would be forced to operate the same as
19 the opposition, which is with British flag ships,
20 which is not exactly the same thing.

21 I do not know what rates they are going to
22 quote tomorrow. I do not know what the economic
23 conditions are going to be. I do not know whether
24 we will be able to compete or not. I do know
25 they have an advantage of \$65,000 a year in wages,
26 so that if we are going to compete we have to
27 compete on the same basis and principle.

28 Q. \$65,000 per ship?

29 A. Yes, per ship, per year.
30



1 Q. The second proposition, as I under-
2 stand it, is that you should be maintained in business
3 even though there is a difference in cost, for a
4 number of reasons which included defence, required
5 for essential services, for stability -- that was
6 shipping interests -- and that it was good for
7 employment. I think those are the four reasons
8 that you have listed in your argument. Maybe I could
9 go to the third one. Your third proposition really
10 was ---

11 A. May I get them again, employment ---

12 Q. Defence, essential service, for stab-
13 ility, and that you were a shipping interest which
14 is entitled to protection and consideration and it
15 was good for employment.

16 A. Employment, and not only the employment
17 in the industry itself, but in ancillary industries.

18 Q. The balance of your submission is
19 merely based on certain alternative proposals in
20 the manner that, although costs are higher and will
21 as a result affect prices in Newfoundland, you say
22 the cost is very small to the retailer although
23 very important to the shipowner.

24 A. Yes.

25 Q. You reject the regional submission.
26 You believe that higher rates will not follow if
27 there is protection, and also it will not affect
28 the marginal industries in Newfoundland. Does
29 that pretty well cover it?

30 A. Yes, that is correct.



1 Q. You have been competing up to the
2 present time and are still in business, but you say
3 in the future that you doubt if you can continue.
4 I was not quite clear, leaving aside the Seaway,
5 why that is so. You mention a number of factors
6 about larger ships, Montreal handling and so forth.

7 A. I am just looking for each of these
8 items.

9 MR. BROCK CLARKE: Page 10.

10 A. I am looking for each of these.

11 MR. HUNT: Q. May I just run down them,
12 enumerate them, because I would like to know whether
13 you think you will go out of business or not.

14 A. We are certainly going to try not to
15 go out of business, but I do not say we would go
16 out of business because I think as ship operators
17 in general cargo trade to Newfoundland we would stay
18 in business and could compete with British ships.
19 We will still be in business. Clarke Steamship
20 Lines will still be operating, but we will be opera-
21 ting with British ships. We said that Canadian
22 ships would disappear, not that we would go out of
23 business, and the reasons for that I had quoted.
24 Your question is, what would happen to the United
25 Kingdom who have not got any larger ships? Well,
26 there is nothing to prevent British companies
27 from buying larger ships.

28 Q. What I was referring to was whether
29 your view of the tramp is justified. Would you
30 expect the tramp to put you out of business as



a line?

1
2 A. I do not think that the occasional
3 tramp, in other words, I gave you the worst picture,
4 just an occasional tramp which will cause a four or
5 five percent reduction in freight; they could if
6 they went to the limit. But a ship can come over
7 here and operate for one whole year in a liner ser-
8 vice, having gotten its depreciation on some other
9 service. In other words, that run pays the capital
10 cost very nicely. Someone may say to the British
11 owner, "Why do you not go and operate from Montreal
12 to St. John's for a year. You will keep your ship
13 operating; it is going to be in better shape than
14 if it is not operating", and that man can operate
15 for one whole year against us and he can slash rates
16 by 20 percent at the end of that year. Where
17 would the regular operator be? It is true for that
18 particular year the suppliers -- the consignees,
19 would have got a better rate. In the meantime this
20 person who slashed rates may have put one or two
21 operators out of business. Then the following year
22 no ship operates at all. That is what I am saying.
23 In effect, what I have said is, first of all,
24 that the regular British operator operating in
25 the liner trade and truly reflecting his costs in
26 the freight rates can only cut the rates by 8 per-
27 cent. But it does not prevent the British opera-
28 tor coming over here and operating for one year
29 or maybe even two years and slashing rates right
30 down to the bone and disrupting the whole service



1 and driving several operators out of business.

2 Q. Would they be out of business if they
3 were operating with British ships, for example?

4 A. They might, but that might not be
5 the only solution, but we would have another \$65,000
6 average output and that is a substantial output.
7 In other words, may I put it this way: The Canadian
8 operator will be driven out sooner than the British
9 ship.

10 Q. How in the world would the ship line
11 service survive if your line service would go to
12 the wall? How does Furness, Withy stay in business?

13 A. This is a factor which liner companies
14 have to meet and what happens is that they make
15 good money with the ocean freight rates, those
16 companies make good money in good times and build
17 up reserves which allow them to meet those bad times.
18 Now, a liner in the Newfoundland trade itself --
19 we must remember one thing, when the market goes
20 away up the operator on a coastal line cannot
21 raise his rates away up because he is prevented
22 from doing it by the Canadian National tariff.
23 The Canadian National tariff provides a ceiling so,
24 in other words, in the Newfoundland trade you
25 cannot raise your rates when times are, or when
26 tonnages are, good, which would allow you to make
27 up reserves to make up the difference when ton-
28 nages are low. In the case of the ocean-going
29 ship he can do that.

30 Q. On a liner?



1 A. Yes, you will find the liner services
2 raise their rates when -- the ocean liner services
3 raise their rates on commodities and so on when the
4 charter rates are up, and in order to meet tramp
5 competition, are forced to reduce them when times are
6 bad.

7 Q. What I want to know is this: Would
8 not all the British lines which are in existence
9 go to the wall through the tramp steamer; is this
10 not the problem?

11 A. I agree this is a problem of liner
12 service against tramp service. I agree with you,
13 but what I am saying is that, first of all, the
14 British operator has 8 percent more. If he is
15 operating on domestic freight rates he has 8 percent
16 more to put in, kept for a bad day, and consequently
17 when the bad day comes along he can operate with
18 8 percent before he starts to lose money.

19 Q. The British operator could not put
20 you out of business and not lose money. He would
21 have all these advantages, you say, but this is a
22 universal problem that does not arise out of the
23 coasting trade.

24 A. That is correct, but inclusive of
25 the coasting trade because of the ceiling of rates
26 placed by the present Canadian National Railway
27 tariffs. In other words, it is bad enough on the
28 ocean trades, but it is worse in the coasting
29 trade.

30 Q. Now then, I think you have made fairly



lengthy representations to the members of the Commission this morning on what the effects of protection would be, but do you feel that there would be adequate competition after protection to keep the rates low, at a proper level?

A. I think there would be adequate competition merely from the Canadian Steamship Companies to keep the rates low, and in addition to that, I do not see that the situation could get out of hand because of this ceiling on rates.

Q. Well, presumably the ceiling -- supposing the ceiling was kept well below that. That would not be desirable?

A. I think the state of the rates -- at the present time, you see, there is not that much traffic -- general rates into Newfoundland.

COMMISSIONER WICKWIRE: Q. That is the Canadian National Railway rate ceiling?

A. That is the ceiling because the Canadian National Railway is not allowed to raise it without the authority of the Board of Transport Commissioners.

Q. There is nothing stopping you taking a cargo over at a rate above that.

A. Except that nobody is going to give you tonnage regularly if you are charging more than somebody else.

THE CHAIRMAN: I met at St. John's, Newfoundland, a car dealer who had 230 units sitting on the siding in Halifax. They had been there for



three weeks and nobody would move them.

1 A. We do not operate from Halifax in
2 the summer, so I cannot tell you the trouble, but
3 cars actually are one commodity that it is difficult
4 to move.

5 Q. The difficulty when we were there at
6 St. John's was that the new models were coming out
7 in early October and there were 230 cars sitting in
8 Halifax on a railroad siding and they could not get
9 them over.

10 A. I do know cars are one problem because
11 you cannot put cars in the hold and put cargo on
12 top. You cannot put them on top because they will
13 squeeze down the cargo below. So they have to be
14 carried on the deck where there is limited space.

15 MR. HUNT: Q. Then the salt water gets
16 at them. If the British were all turned out of the
17 Newfoundland service, how many lines would operate?
18

19 A. I don't know. There are new lines ---

20 Q. How many lines are operating now?

21 A. If the British lines decided not to
22 operate after it was restricted?

23 Q. No, I am sorry. If you forget the
24 lines that are operating British ships, how many
25 lines are operating between St. John's and Mont-
26 real?

27 A. Between St. John's -- at the moment
28 there is only Clarke Steamship. From Halifax
29 there would be Newfoundland-Canada, but do not for-
30 get if these British lines were operating, their



1 operations carry on from Montreal. The best of my
2 memory is three lines operating from Montreal at
3 one time.

4 Q. How recently was that?

5 MR. HUTCHESON: I would say 1952. In 1949,
6 1950 and 1951 up to 1952 there were Newfoundland-
7 Canada, Blue Peter Steamship and Clarke Steamship,
8 and during that period I believe Shaw Steamship had
9 a service. In 1952, if I recall correctly, Blue
10 Peter suspended but then Montreal Shipping came into
11 being and I think another one was Lloyd Steamship
12 Company during the period of 1953-1954, I think.
13 I have to check that but they were operating.

14 There is another line, Blue Water Steamship
15 Company, which came in for certain years and then
16 was forced to go out.

17 MR. MUNDELL: Thank you very much.
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MR. MUNDELL: Q. You feel if you were left the sole operator in the field you would probably have some competition?

A. I'm sure of it.

Q. Now, then, coming to the problem of the shipbuilders, if you are asking for the restoration of the coasting trade for Canadian-registered vessels on the ground that we should have Canadian ships -- that is so, is it not?

A. That's it.

Q. But you are not particular about the source of the Canadian ships. I mean, that is not your concern?

A. That is right.

Q. Well, would you oppose the increased restrictions if it was confined to Canadian-registered and built ships?

A. I would think the restriction to Canadian-registered and built ships would be immeasurably better than the present condition.

Q. You wouldn't oppose that?

A. No, I would not oppose that.

Q. Would you oppose -- I don't need to ask you that question -- it is not in your brief, but I was going to ask you about subsidies, but I think you said this morning you had no objection to subsidies.

A. For shipbuilding.

Q. Now, then, this is a very small question, could you furnish to the Commission a list



of your subsidized services and the subsidies for the information of the Commission?

A. That can be done. It is all published, as you know, in the estimates and so on. It can be done.

THE CHAIRMAN: I think we have that.

THE WITNESS: It is in the Public Accounts also.

Do I take it you do not want this list?

MR. GERIN-LAJOIE: I think we have it, Mr. Chairman.

COMMISSIONER BELANGER: We might have it for Newfoundland. I am not sure.

MR. MUNDELL: I think it is in the Public Accounts.

THE WITNESS: We do not operate any subsidized services to Newfoundland.

MR. MUNDELL: Q. In the list -- I am just going through this trying to pick up different items and see what I have left out -- in the list of vessels I asked for in the beginning, could you indicate those that operate off-season in other trades, say in the West Indies?

A. Yes, we could list all the ones that operate during the winter season, the off-season, and where they operate. Naturally, that will be just where they operated in the past because we can never be sure about the future.

Q. Are they all tramp services, in effect, when they are off-season?



A. Let's take a ship like the Gulf Port.

We might put her out in the West Indies. If we can get a good time charter for the five months we put her out to time charter, which may mean she is operated on a regular liner service, just like our own, but down there. If we cannot get that, we may "tramp" her. In other words, it depends on how much we are offered for the ship and what kind of employment we can get.

Q. You would be a known source of off-season vessels, in other words, I take it. What terms do you charter them on?

A. Well, the usual term is that of time charter. If we are tramping, it is a voyage charter varying with the cargo carried. If it is sugar, or if it is other types of commodities, it would all depend. For instance, we might carry it on an f.i.o. basis or on another occasion on a time charter rate.

Q. Well, then, sir, in connection with the restriction of coasting trade to registered vessels, Canadian-registered vessels, have you given consideration to any of the other areas in Canada that might be affected, such as British Columbia or the Great Lakes themselves?

A. Well, we actually are not familiar with those other areas but, for instance, in the case of British Columbia I would think it would be less concerned than we are about British ships because they have got a lot longer distance to go to get there. In other words, a British ship can



get over from England to Montreal very easily.

1 Q. You really haven't studied it?

2 A. We haven't studied it. But as far as
3 British Columbia is concerned, I would think it less
4 vital than on this side.

5 Q. What about the Great Lakes? Have you
6 given consideration to, for instance, the effect on
7 the Great Lakes trade?

8 A. No, we have not. The only thing I do
9 know is that we predicted the entry of British ships
10 into the Newfoundland trade early after the war and
11 stated the conditions would be very difficult for
12 Canadian shipowners in this trade if nothing was done
13 at that time. As a matter of fact, we made repre-
14 sentations to the Canadian Maritime Commission on
15 that basis. Nothing was done and I would feel that
16 now that the Seaway is going through it is going to
17 have the same effect and there are going to be a
18 large number of British ships coming into the Lakes.
19 Now, what effect they will have, they will certainly
20 be competing with lower wages in that area, and I
21 feel it is bound to have some kind of an effect.

22 Q. But you haven't really given any con-
23 sideration to it?

24 A. We don't know the economics of opera-
25 tions in the Great Lakes, so I cannot tell you.

26 Q. As to the effect on your own business
27 of the Seaway, what would you expect as to that?
28 Would you propose to operate up the Lakes?

29 A. It is very difficult to say at this
30



time what should be done. I gave you one reason why operating out of Montreal is better than operating, say, from Toronto -- that is at the present time. With the Seaway that situation may change. But we have not made any plans along that line at the moment.

Q. What would you say as to the Australian proposal requiring coasting ships of U.K. registry to pay Canadian wages while operating in the Canadian trade?

A. Well, we feel that that is only sort of trying to meet the matter half-way. I think if we are trying to protect our coasting trade we should enact legislation to protect it.

Q. That is just the point. Is it a question of protection to eliminate competition -- that would be one thing; but if it is just protection against unfair competition, wouldn't that eliminate the unfairness?

A. That would be very satisfactory as far as we are concerned. I mean, I do not see that we would have any worries about the competition if that were enacted. The only thing about it is the trouble of enforcing such regulations. They must have found a way to do it in Australia, but it is sometimes difficult. I have given two examples today of loopholes in the Customs Act. We do not know what the situation is going to be if legislation is enacted to make people pay a certain wage rate. Are you going to make it the union rate or what? And if it is the union rate, what union's?



And whose rates do you have to meet? Those are the kinds of problem you have to contend with.

Q. Assuming that a scheme was concocted which was administerable, wouldn't that meet most of your difficulties?

A. That would just about meet our difficulties.

Q. As a matter of fact, if you could buy your ships abroad, it should meet them all, should it not?

A. I wouldn't mind competing on that basis, if that is what you mean.

Q. Why do you choose the other recommendation?

A. For the reason we mentioned before, that we think when you enact a certain type of legislation it is better to make it a direct Act instead of trying to plug loopholes here, there, and the other place, and then something else springing up.

Q. Just simply because you think it would be too difficult to administer?

A. That is the main reason. And we have seen the case of the Customs Act, which we thought was air-tight. Here are two examples of loopholes which have shown up. Although that happened some years ago, nothing has been done about it yet.

MR. CLARKE (President, Clarke Steamships Limited): May I say from our company angle, we have certain plans of expansion and plans of doing certain things, providing we feel we have proper



protection to carry on a trade that we can develop and carry on for years to come. That is going to mean, as I think we mentioned this morning, quite an expenditure in probably new ships, new facilities, and so on. We feel if this Canadian trade is given the proper protection, that we can make a definite plan and finance the spending of this money with an assurance that we can carry on. Doing it with the Australian plan, as my son said, there are so many loopholes, perhaps, in it that I doubt that whether we, as a company, would care to go ahead and spend several millions of dollars in new ships, new facilities and so on with something that we are not sure about; whereas on the definite plan of a coastal service with Canadian protection we would feel we could really spend the money and probably be in a position to raise the money, too, to make such an expansion.

I just felt that I should, from my angle, say that, Mr. Chairman. From my angle that is my feeling.

COMMISSIONER WICKWIRE: You want a guarantee before you spend the money that you are going to get it back?

THE CHAIRMAN: You want an exclusive franchise?

MR. D.A. CLARKE: It is not that I want an exclusive franchise, but I agree with you, Mr. Wickwire, that I do want to see a reasonable chance to get the money back or proper interest on



1 it before we spend it. If we go into this expendi-
2 ture, although we have put our own money into this
3 business, our own money and other people's who are
4 in these other services with us, none of our companies
5 are actually what you call public companies, but
6 we might have to finance publicly for such a large
7 expenditure, and I think we would find it rather
8 difficult to raise money to go into these large ex-
9 penditures unless we had some pretty good assurance
10 that we were going to get a return and that it could
11 pay its way.

12 Mr. Chairman, it is not that we want -- I
13 don't know whether you would call it a "monopoly"
14 or what, but we just feel we want to be on a basis
15 where we can operate. Canadian competition, certain-
16 ly, that's fine. We want to be able to go along
17 and have a reasonable chance of making a go of it
18 and getting a return on the money that we either
19 put into it ourselves or ask other people to put
20 into it.

21 MR. MUNDELL: Q. I might say, Mr. Clarke,
22 the information put before the Commission is that
23 it has been thoroughly 100 percent effective in
24 Australia, so I do not know that the administration
25 difficulties are very much more than a sort of a
26 bogey.

27 COMMISSIONER WICKWIRE: It has never been
28 proclaimed because of the fact, I suppose, that
29 anybody who comes in abides by the Manning regu-
30 lations.



1 MR. MUNDELL: I believe, sir, there is fur-
2 ther information coming before the Commission that
3 it has, in fact, been proclaimed. In any event, it
4 is effective, we have been informed.

5 MR. S.D. CLARKE: Might I ask one question
6 on that? With the Australian method, would repairs
7 be carried out in Australia then?

8 MR. MUNDELL: Q. I do not know.

9 A. That wouldn't solve the problem of
10 suitable repair facilities in this country. That is
11 also part of our submission. In other words, we
12 say that we want the Canadian ships to operate, but
13 we want repair facilities here, too.

14 Q. As I understood it, you were advocating
15 methods to preserve the shipyards, but they were not
16 to be by restriction restricting you to purchasing
17 Canadian ships.

18 A. Yes.

19 Q. Wouldn't your shipyards include your
20 repair facilities?

21 A. In that section of the Customs Act
22 which we -- the provisions of Section 54 of the
23 Customs Act -- we wanted repairs to be carried out
24 in this country, and duty to be assessed if repairs
25 were to be carried on outside, and we even sugges-
26 ted that the one-year provision at the present time
27 be extended to five years.

28 THE CHAIRMAN: You must realize that all
29 the shipyards, that it would be impossible for them
30 to maintain their repair facilities for your benefit



unless they had a restriction to Canadian-built ships.

MR. MUNDELL: I am afraid, Mr. Chairman, I have been talking at cross-purposes with the witness.

A. Well, each of those steps certainly goes a way towards meeting what we have suggested, and I think if you got the wages and the repair facilities you have gone some little way. Fighting the situation as far as shipbuilding goes is not our concern. That is up to the shipbuilders to meet. But you have gone a long way with that proposition. Naturally, we don't like it as much as the other, but it is a reasonable position.

MR. MUNDELL: Q. I don't really see that that is the equivalent of the proposal you are proposing for the shipyards. You say help the shipyards financially. You still want the protection. Why aren't you prepared to go along with the shipyards?

A. With the what?

Q. With complete protection for the shipyards.

A. I said I wouldn't raise any objection.

MR. MUNDELL: I think that is all I have to ask, Mr. Chairman.

THE CHAIRMAN: We will have a five-minute recess now.

---A short recess.



1 THE CHAIRMAN: Mr. Hunt?

2 MR. D.C. HUNT: I appear on behalf of the
3 Newfoundland Government. Before asking any questions,
4 I would like to say, Mr. Chairman, that the witness
5 stated that he did -- or his companies -- receive
6 subsidies from the Canadian Government, and during
7 the course of his evidence has indicated that he does
8 wish British ships barred from the trade to Newfound-
9 land, with the result that his company would be the
10 only one operating. He has stated that competition
11 would follow naturally ---

12 THE CHAIRMAN: We have on other occasions
13 pointed out that there is to be an argument after
14 the hearings are through.

15 MR. HUNT: Yes. But if, before the argument,
16 the Commissioners could have copies of the subsidies
17 paid the Clarke Steamship Company and its subsidiary
18 companies ---

19 THE CHAIRMAN: As was pointed out, they are
20 all listed in the Public Accounts.

21 MR. HUNT: The Newfoundland Government did
22 attempt -- possibly we didn't go about it the right
23 way, but we did not understand that the subsidies
24 were ---

25 MR. D.A. CLARKE (President, Clarke Steamship
26 Company Limited): We get no subsidies for our
27 services to Newfoundland.
28

29 MR. HUNT: If they could be listed, with
30 the purpose for them, that would clearly show your
lordship and the members of the Commission what the



1 situation is.

2 COMMISSIONER WICKWIRE: I understood before,
3 Mr. Hunt, that there were no subsidies paid to Clarke
4 Steamships or any of their subsidiaries.

5 THE CHAIRMAN: Do you doubt that statement?

6 MR. HUNT: No, I do not.

7 THE CHAIRMAN: What is your interest then?

8 MR. HUNT: My interest is if Clarke Steamship
9 is the only company operating from Montreal to New-
10 foundland and competition is considering whether it
11 will go into that service, there will be subsidies
12 paid these companies. Now, whether Clarke Steamships,
13 in order, as good businessmen, to have the advantage
14 of an exclusive operation, even giving good service,
15 would be able to use this money or it would be able
16 to absorb losses easier than their competition, I
17 think that the amount should be before the Commis-
18 sion.

19 THE CHAIRMAN: That is an allegation that
20 they misuse their subsidies.

21 MR. HUNT: No, No, Mr. Chairman.

22 THE CHAIRMAN: It sounds very much like it
23 to me.

24 MR. BROCK CLARKE: It is the same thing
25 as if we were in any other business and used profits
26 from one side to offset the other. That is some-
27 thing anybody can do, no matter what business they
28 are in. But the Federal subsidies are adminis-
29 tered by the Canadian Maritime Commission and are
30 paid for certain services which the Maritime



1 Commission consider to be essential to the economy
2 of Canada and which would not otherwise be performed,
3 and are paid for those services only and are not
4 paid to the company as a company; they are paid as
5 an operating subsidy for a given service, and no
6 subsidies are received in respect of the Newfoundland
7 service.

8 MR. MUNDELL: I don't think there is much at
9 issue here. If we could obtain from the Public Ac-
10 counts this information it would certainly be more
11 convenient than receiving it the other way.

12 THE CHAIRMAN: Have you any objection to
13 that?

14 MR. S.D. CLARKE: We have no objection to
15 providing the Commission with that.

16 THE CHAIRMAN: Then let us get on with it.

17 MR. HUNT: Q. I didn't hear all the
18 questions, Mr. Chairman, on this Exhibit 80. Have
19 you that there, Mr. Clarke?

20 A. Yes. I believe Mr. Hutcheson would
21 be best able to handle that.

22 Q. Possibly either you or Mr. Hutcheson
23 could answer. As pointed out or brought out in
24 previous questions, the Class A showed a substan-
25 tial reduction as did Class C. Class B showed
26 a small reduction only. Was that a result of
27 water competitive rates of the C.N.R.?

28 MR. HUTCHESON: No, the competitive rates
29 as published by the Canadian National only apply
30 in an area -- I think if you draw a line from,



1 perhaps, Kingston, Ontario to Orillia and from Orillia
2 over to, perhaps, say, Point Edward, near Windsor,
3 the territory south of there would be, I think, the
4 competitive area. It seems to fall into that area.
5 Therefore, the rates from Montreal were not affected
6 by that particular publication of tariff.

7 Q. In actual effect the Clarke Steamships
8 do compete with the C.N.R. from Montreal to Newfound-
9 land?

10 MR. HUTCHESON: Yes.

11 Q. This over-all increase of general freight
12 of 63.7%, that is, of course, rail freight and truck
13 freight?

14 MR. HUTCHESON: That is a public figure re-
15 leased to me by the Canadian National Railways when
16 I enquired as to what the general increase was over
17 the period 1949 to 1954 and 1955, and I received the
18 information that it was 63.7%. I imagine it would
19 apply to the over-all rail tariffs of Canada.

20 Q. Could you give the portion of your cargo
21 going to St. John's and to Corner Brook, both
22 points? That is, being carried in participation
23 with the railways?

24 MR. HUTCHESON: Do you wish to know exactly
25 how much of our cargo we carry to St. John's, to
26 Corner Brook, how much of it originates by rail?

27 Q. Yes.

28 MR. HUTCHESON: In transfer from Montreal?

29 Q. Yes.

30 MR. HUTCHESON: I would say about 30%.



1 Q. On that would you get the same revenue
2 from that cargo if it were lifted here in Montreal?

3 MR. HUTCHESON: We are getting now down into
4 divisions and, frankly, I do not intend to tell any-
5 body what the divisions are of the through rate be-
6 cause ---

7 THE CHAIRMAN: Just a minute. I am forced
8 to interrupt and to point out that you will tell
9 whatever this Commission requires you to tell.

10 MR. HUTCHESON: I am sorry, sir. Let me
11 put it this way. The through rate is made up of one
12 rate divided equally between the carriers. Both
13 carriers take a reduction on their rates in respect
14 of the local rates as part of the through rate, be-
15 cause the through rate is actually lower than a
16 combination of locals.

17 MR. HUNT: Q. Your through rate, for instance,
18 with the railway or with C.S.L. on, say, 50,000
19 pounds of canned goods from Toronto, that would be
20 cheaper to ship from Toronto to St. John's than it
21 would be to take the same 50,000 pounds from Mont-
22 real by Clarke Steamship direct to St. John's, would
23 it not?

24 MR. HUTCHESON: It probably would. I
25 would have to check that rate. We very seldom get
26 lots of 50,000. We are very seldom tendered lots
27 of 50,000 pounds of canned goods from Montreal.
28 If you said canned milk, and specified one commodity,
29 I would say no, it is not cheaper to ship from
30 Toronto and vicinity than, say, from Sherbrooke



1 where canned milk originates. But outside of
2 canned milk I cannot recall any large movements of
3 50,000 pounds. If there were -- perhaps there is
4 a plan that would enable that shipment to travel
5 cheaper from the Great Lakes area, comprised actually,
6 I think, or based on the large volume that originates
7 in that area.

8 Q. Are there many rates which are lower
9 from the Great Lakes area, from, say, Toronto, or
10 any port on the Great Lakes, to St. John's, New-
11 foundland? That is, lower from those ports to St.
12 John's?

13 MR. HUTCHESON: No. Actually, if you will
14 glance at Exhibit 80 you will notice that the fifth
15 class rate, Toronto to St. John's, is \$1.45.
16 Actually, it is 1¢ lower than the Montreal. The
17 rail-water rate from Toronto to St. John's is 5¢
18 higher. I think the fifth class rate most closely
19 approximates the bulk of the cargo moving. The
20 difference is very, very slight today. There are
21 certain commodities that move in car volume where,
22 I believe, competitive rates and commodity rates
23 have brought the rate down for that area.

24 Q. And your Class A -- I'm sorry, your
25 Group A figures would include transportation from
26 the Great Lakes to Montreal by Canada Steamship
27 Limited?

28 MR. HUTCHESON: That is correct.

29 Q. And transshipped?

30 MR. HUTCHESON: That's right.



1 Q. Do you think the additional cost, the
2 actual cost of that movement, that it is natural
3 that they should be that close in actual rates?

4 MR. HUTCHESON: The rate of \$1.45 which you
5 are talking about is actually governed by the rail-
6 water rate of \$1.50. In other words, to be competi-
7 tive a differential is taken of, in this case, 5¢
8 on the all-water route. In other words, the all-
9 water rate had to be based on the rail rate. Now,
10 if you ask me what my personal opinion is, I would
11 say that the rate perhaps is a little low.

12 Q. You have gone into this earlier, Mr.
13 Hutcheson. It is just to clarify my mind on it.
14 You say the reason for the competitive water-rail
15 rate in 1954 was what? The reason for that being
16 put in?

17 MR. HUTCHESON: The establishment of the
18 rail-and-water rate?

19 Q. Yes.

20 MR. HUTCHESON: I did not give any reason,
21 I don't believe. I surmised. That rate was pub-
22 lished by the Canadian National Railways.

23 Q. Yes?

24 MR. HUTCHESON: I surmised that they did
25 that partly because of unknown factors and partly
26 because they wished to stabilize the rate situa-
27 tion from that area.

28 Q. And then they put it up next year?

29 MR. HUTCHESON: The increase in 1955, I
30 think -- a railway man could clarify that -- but



1 I think it was mainly brought about by the equaliza-
2 tion rule which applied to all of Canada and which
3 was implemented, I believe, in March of this year.

4 Q. You do ship from Halifax in the winter
5 to St. John's, I believe, on the C.N.R.?

6 MR. HUTCHESON: Yes.

7 Q. Your revenue from that source, Mr.
8 Hutcheson -- again I presume it is a question of di-
9 viding each particular class with the C.N.R., is
10 it?

11 MR. HUTCHESON: We maintain a service from
12 Saint John, New Brunswick and from Halifax. Saint
13 John, New Brunswick, shall we say, is serviced by
14 the C.P.R., and Halifax by the C.N.R. The revenue
15 to the steamship carrier drops because of increased
16 haul of the railroad and a decreased haul of the
17 water carrier.

18 Q. It drops in the winter?

19 MR. HUTCHESON: It drops in the winter.

20 Q. Now, in your summer Canadian National-
21 Clarke Steamship Company combined movement, who ab-
22 sorbs the rail-water competitive situation then,
23 the drop in that price?

24 MR. HUTCHESON: Once again it is a division
25 of the rate based on mileage to a certain extent,
26 distance hauled. It is just a straight division
27 of the rate.

28 Q. Just looking at Exhibit 82 briefly,
29 Mr. Hutcheson, from your knowledge of the shipping
30 market could you give any reason for this large



1 climb beginning in 1950 and ending in 1952?

2 MR. HUTCHESON: Yes. I think it would be
3 common knowledge that the sharp increase in charter
4 rates at that time was brought about by the trouble
5 in Korea.

6 Q. Actually, besides that, over that
7 period of two years, there does not seem to be too
8 much of a change.

9 MR. HUTCHESON: No. We haven't carried the
10 graph through to 1955 and 1956, but it is also
11 common knowledge that the shipping market today has
12 soared up to peaks even higher than, say, 1950-51.

13 THE CHAIRMAN: That material was filed, I
14 think, in the Dominion Marine evidence.

15 COMMISSIONER BELANGER: Professor McDougall.

16 MR. HUNT: Q. And this graph takes in, I
17 understand, all types of vessels and carriers. It
18 would show the oil carriers?

19 MR. HUTCHESON: No. It was a graph published
20 by Harley Mullian Company Limited in, I believe,
21 March of this year. They are located in London,
22 England. And the original graph just took general
23 cargo, large-type general cargo ships. It confined
24 it to a specific type of cargo carrier. It did
25 not go through the entire shipping market.

26 Q. What type?

27 MR. HUTCHESON: Liberty-type vessels, I
28 would say.

29 Q. It is most unusual, is it not, Mr.
30 Hutcheson, for rail rates to be a governing factor



1 in shipping rates on a fairly long haul?

2 MR. HUTCHESON: I would say yes and no to
3 that question. It doesn't affect ocean shipping,
4 shall we say, but throughout the Dominion of Canada
5 I think it does. I think on traffic moving from
6 east to west the competitive tariffs published by the
7 railroad are a definite influence there. Mind you,
8 there is also truck transport. But on the rail
9 competitive tariff issued from east to west, it is
10 a governing factor on steamship rates from the East
11 Coast of Canada to the West Coast of Canada.

12 THE CHAIRMAN: Q. Have I understood you to
13 say that your water rates from Montreal to St. John's
14 are based on a differential of the rail rates?

15 MR. HUTCHESON: Are based actually on a
16 differential below the all-rail rate.

17 THE CHAIRMAN: Suppose it costs you a third
18 of the amount that it costs the railroad, would you
19 still base them on a differential -- just going
20 underneath?

21 MR. HUTCHESON: The differential in that
22 case may be greater, sir.

23 THE CHAIRMAN: And you wish to exclude com-
24 petition which says, "We will take this no matter
25 what it costs the railroad"?

26 MR. HUTCHESON: No, sir. I think our sub-
27 mission was, we shall always have competition ---

28 THE CHAIRMAN: No, but you will have the
29 same kind of competition by someone who looks at
30 a railroad schedule and goes 5¢ under.



1 MR. HUTCHESON: I didn't understand that.

2 THE CHAIRMAN: You will have the same kind of
3 competition you give the railroad. They will look
4 at the railroad schedule and will go 5¢ underneath
5 it. What you want to exclude is somebody who will
6 do it on the basis of their costs and not 5¢ under
7 a railroad schedule of rates.

8 MR. HUTCHESON: Our costs are the prime fac-
9 tors governing the tariff rates which we must secure
10 for the carriage of cargo, but we cannot go beyond
11 a certain point. Let me explain this by saying
12 this to you ---

13 THE CHAIRMAN: Just stop there. Do you
14 mean to say your costs just happen to be just 5¢
15 under the rail rates?

16 MR. HUTCHESON: No. Our differential cer-
17 tainly is not 5¢ below the rail rates.

18 THE CHAIRMAN: Let's say 5¢ or X cents,
19 whatever it happens to be.

20 MR. HUTCHESON: It varies according to the
21 type of commodity, the value of the merchandise,
22 and so on. We do have class rates but we also have
23 commodity rates. We have any-quantity rates as
24 compared to classification. To get the over-all
25 differential would be quite a study but it would
26 certainly be considerable.

27 THE CHAIRMAN: They are fixed as a differ-
28 ential below the rail rates, is that it?

29 MR. HUTCHESON: Excuse me, sir. That is
30 not a fixed amount of 5¢ or a fixed amount of 12¢.



S.D. Clarke
J. Hutcheson

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1 It is a varying amount scaled down from Class 100
2 covering our classification rates. But then when
3 you come into the list of commodity rates, there
4 are many other factors involved there, that if you
5 compare them to the rail rate would show greatly in-
6 creased differentials.



1 MR. HUNT: Q. Another factor you mentioned,
2 Mr. Hutcheson, was the pool car operators would
3 affect or govern or influence the rate. Could you
4 explain that?

5 A. I said back in 1949, 1950, 1951 that
6 one of the major things that influenced freight
7 rates in the Ontario area was the activity of the
8 pool car operators.

9 I also said today that that does not seem to
10 be the case.

11 Q. You would not expect them now to affect
12 the rate?

13 A. There was only one pool car operator
14 operating in 1949 and 1950. Since then that
15 service has been increased to at least three and,
16 by virtue of that increase, I believe that
17 steamship companies are endeavouring to compete
18 with pool car operators, pool car companies,
19 for less than carload shipments and are actually
20 soliciting.

21 Q. This Exhibit 83, Mr. Hutcheson, the
22 information in that, is that based on the summer
23 rates or is it Clarke Steamship's charges from
24 Montreal to St. John's?

25 A. Yes, as shown here, from Montreal
26 to St. John's, Newfoundland.

27 Q. How would that be affected in the
28 winter?

29 A. There would be a slight increase,
30 which would have to be re-worked, showing the



1 railway from Montreal to St. John's, Newfoundland.
2 In other words, the whole thing would have to be
3 re-worked on the basis of the rail rate from
4 Montreal to St. John's, rather than the summer
5 rate.

6 Q. Could you give any rough idea of the
7 percentage?

8 A. The percentage of the difference between
9 winter and summer?

10 Q. Yes.

11 A. That might be anything. I would have
12 to work it out, because we have representative
13 items and I have to take them all one at a time
14 and strike a balance on them.

15 Q. Were these obtained by your agents
16 in St. John's?

17 A. Mr. Sellers in St. John's obtained
18 those prices on September 20th, which I believe
19 was a Thursday, and he obtained the prices from
20 Ayre's Supermarket. I don't know whether it was
21 the east end store or a west end store, but I
22 think they are good prices.

23 Q. Thank you, Mr. Hutcheson.

24 (To Mr. Stanley Clarke)

25 Q. Mr. Clarke, you gave the total, I
26 believe, of a million and a half dollars which
27 is coming into the Canadian economy by reason
28 of your company operating Canadian vessels?

29 A. That million and a half is coming
30 into the Canadian economy from the operation of



our Canadian vessels alone. It does not include our expenditures for shore staff and so on and other expenditures which a British ship would make, such as fuel and so on.

Q. And those are the over-all operations of all your companies, not restricted to the Newfoundland trade?

A. That is correct.

Q. Do you, and the Canadian Steamships set the all water rate from the Lakes, or do you do it together? Is it set by you?

A. By agreement. It is the Canada Steamship Lines.

Q. Could you give the names of the vessels which you operate between Montreal and Newfoundland or Halifax and Saint John and Newfoundland?

A. The vessels we operate between Montreal and Corner Brook are the "Gulfport" and the "Patricia Sweeney", and between Montreal and Saint John are the "Novaport" and the "Sheldrake".

Now, in the wintertime we have also operated the "North Coaster" between Halifax and St. John's and Saint John and St. John's, Newfoundland, whereas last year we operated the "Nova" and the "North Coaster" in the winter operations.

Q. And you mentioned the "Sheldrake" and the "Novaport" are war prizes?



1 A. Actually the "Novaport", the "Gulfport"
2 and the "Sheldrake" happen to be all ex-German
3 vessels which used to operate in the Baltic trade
4 and one was awarded to the Canadian Government as
5 a prize of war and the "Sheldrake", with a lot of
6 other ships, was awarded to the British Government.

7 The "Novaport" ultimately came to Canada and
8 both were put up for auction, and by open bidding
9 we obtained the vessels. They were sold at the
10 same time as they were selling all war surplus
11 Canadian ships.

12 Q. At which time the market was low; you
13 paid a reasonable price, but the market was low at
14 that time, was it not?

15 A. I wouldn't say that. I would say the
16 price was a fair price for the ships. There was
17 plenty of activity and I wouldn't say the market
18 was low. It was not as high as the peak of the
19 Korean War, but it was at a good level.

20 Q. Would you mind giving the price
21 of them?

22 MR. CLARKE SENIOR: If that is necessary
23 to say, Mr. Chairman.

24 THE CHAIRMAN: I think it is a proper
25 question.

26 MR. STANLEY CLARKE: The company paid,
27 actually, for the vessels, \$300,000 about, but
28 you must realize also that the ship that was
29 bought at that time and the ship today is not
30 the same one. Refrigeration and all different



1 accommodations were put on board, conversion from
2 coal to oil fuel, modifications to increase the
3 draught, many changes in the engine room, such as
4 new feed pumps, different changes in other departments
5 changes in the electrical system to a two-wire
6 establishment, all of which was carried out in
7 Canadian shipyards.

8 MR. HUNT: Q. Would it not give you some
9 advantage, in your Canadian structure, as against
10 Newfoundland and Great Lakes, who gave evidence of
11 having a long-term charter of marine vessels
12 designed for the Newfoundland trade?

13 A. I don't know what they are paying.
14 I would say the prices we paid for the ships is
15 comparable to the prices paid in England for
16 similar ships when you convert the pounds into
17 dollars, and they must have sold some 20 or 30 of
18 these, not of all the same size. They were sold
19 at about the same prices and that is why I used
20 those calculations.

21 COMMISSIONER WICKWIRE: Q. That price is for
22 two ships?

23 A. No, they were different prices.
24 One was two hundred and ninety and the other
25 was three hundred and ten, but they were around---

26 MR. CLARKE SENIOR: I think one was two
27 hundred and ninety-two and the other was three
28 hundred and five.

29 MR. STANLEY CLARKE: They were not both at
30 the same time. The price we bid on it was based



1 on what we knew English ships had gone for at about
2 the same time.

3 MR. HUNT: Q. And the "Patricia Sweeney"
4 is a Canadian vessel?

5 A. That is correct.

6 Q. The "Gulfport" is owned by you?

7 A. That is owned by a subsidiary company.

8 Q. And the "Patricia Sweeney" is owned by
9 one of your companies?

10 A. No, it isn't; it is an outside vessel.

11 Q. The "Novaport" is owned by a subsidiary
12 company?

13 A. Yes.

14 Q. And the "Sheldrake"?

15 A. That is a time chartered British
16 vessel.

17 Q. On the question of the time chartered
18 English vessel, is it a fact that the only
19 difference between your operation and their
20 operation is the amount of wages paid your crews;
21 that is the difference between you?

22 A. No, the wages are a major factor.
23 The cost of repairs and annual overhauls are --
24 I would say the cost of repairs and overhauls
25 should be a little lower in England, because we
26 know that the cost of building is, and naturally
27 the same differential should exist on repairs.

28 We have not undertaken repairs in
29 British yards, so I cannot tell you the actual
30 costs; but we are led to believe that the annual



overhauls and repairs are lower.

There are other factors, too, but they are minor. I would say the food quality is possibly not at the same level as required on a Canadian ship.

Q. That depends more on the vessel than on the country, does it not?

A. Except that generally the standard required by Canadian seamen is usually higher than that of English seamen. There are other factors outside of the wages and repairs but the others are minor in total operating expenses, total operating costs.

Q. And another way you put it was that of the total revenue received under British vessels, they had eight cents of a dollar left, if you broke even under the same circumstances?

A. That is correct.

Q. Out of the gross revenue?

A. Based on the same ship on the same line, carrying the same cargo, and other conditions being the same. That is eight cents on a dollar of gross freight.

Q. I see.

Mr. Chairman, is the witness going to write out a detailed list of how the "Novaport" was made up---

THE CHAIRMAN: No, he gave us those, I think.

MR. HUNT: I'm sorry; the "Sheldrake".



1 THE CHAIRMAN: He is going to write out in
detail how he arrived at it.

2 COMMISSIONER BELANGER: Q. At the same time,
3 while we are talking about Exhibit 85, could you
4 give us the third column on the first page, showing
5 the actual charter hire?

6 A. Which year? Will I take an average?

7 Q. Well, the same year as you did, putting
8 the same basis as you have done with the other
9 figures, for the same year.

10 A. I mentioned that because in one year
11 we may get a good rate -- We are paid high rates
12 and low rates.

13 Q. The Montreal Terminal expenses would
14 be the same, and the St. John's?

15 A. That is correct, but when you talk
16 about expenses on a ship, they are more or less
17 steady; but when you talk about charter hires,
18 our hires in the winter may run anywhere from
19 \$14,000 in a month to \$29,000.


20 Q. Well, this was based on 1954 and
21 based on the total cargo carried in 1954?

22 A. That is correct. I will base it on
23 1954, then, is that it?

24 Q. It seems to me that you could do it
25 with the total charter payments you made in 1954
26 and then go on with your total---

27 MR. MUNDELL: For the same period of
28 operation.

29
30 COMMISSIONER BELANGER: Yes, exactly the



1 same thing, but with the actual money spent on the
2 charter hire.

3 MR. HUNT: Q. While you are making this list,
4 Mr. Clarke, if you could, will you also get your
5 tariff on the North Shore so we could compare it
6 with the Newfoundland tariff?

7 A. Well, I think we are submitting all
8 tariffs, Newfoundland and the North Shore.

9 THE CHAIRMAN: Yes, that is correct.

10 MR. CLARKE: On comparing tariffs, if you
11 compare them, do not forget that on the North
12 Shore coast there are no high terminal charges
13 such as St. John's, because the crew unloads the
14 ships.

15 COMMISSIONER BELANGER: Q. I was just going
16 to ask a question on that. Could you explain why
17 it is much more expensive at your St. John's
18 terminal than your Montreal terminal for the same
19 cargo shipment? Here you have 17 cents in Montreal
20 and 26 cents in St. John's, so there is a difference
21 of almost 10 cents.

22 A. Well, unfortunately, the reason for
23 that is due to the present Union agreements in
24 force in St. John's, which prevent us from
25 operating efficiently at that port.

26 First of all, we are not allowed to use
27 mechanical equipment. All cargo is handled in
28 Montreal to ship's side and loaded that way.
29 Now, that is one item.

30 Secondly, in St. John's, Newfoundland,



1 they have a 33-man gang, whereas in Montreal we
2 are using a 15-man gang.

3 COMMISSIONER WICKWIRE: Q. On that subject,
4 how many do you require at St. John's?

5 A. Well, if 15 men can load the cargo,
6 15 men will be able to take it out. With mechanical
7 equipment, 15 men are adequate; without mechanical
8 equipment and land dollies, it would take 18,
9 but we have to employ 33 men.

10 Q. Is there any physical objection,
11 like docking facilities, which would explain the
12 difference, or is the difference due entirely
13 to stevedoring and problems like that?

14 A. Well, we agree that the docks could
15 be improved at St. John's, as we have mentioned,
16 but let us say if we transported the gang that
17 is working in Montreal, without any outside
18 influence, and put them to work in St. John's,
19 I would say they would do just about the same as
20 they are doing in Montreal.

21 Briefly, I feel it is more difficult to
22 load a ship than to discharge it, because you have
23 to stow the cargo, whereas, when you take it out,
24 you take it out as quickly as you can and store
25 it in the shed, which is a much more normal
26 place to work in.

27 Q. So here there is a possibility, in
28 Newfoundland, of saving somewhere around 10 cents
29 in this stevedoring business?

30 A. That is correct. To give you the



1 actual figures, we figure it takes .95 man hours
2 a ton in Montreal and it takes 2.3 man hours in
3 St. John's, which is nearly two and a half times
4 as many.

5 THE CHAIRMAN: Q. This is not a new story to
6 us, Mr. Clarke, but I am more shocked every time I
7 hear it.

8 A. I assure you we are shocked and I wish
9 we could do something about it.

10 COMMISSIONER WICKWIRE: Q. Do you use your
11 own facilities in St. John's?

12 A. No, we use Harvey & Company, our agents,
13 and they handle the stevedoring. They are not the
14 only ones, and I think all the employers in
15 St. John's have been trying to do something about
16 this, but it is a Union situation. I can go on
17 right through the contract, as it comes about,
18 to hold us up. For instance, they start at nine
19 o'clock, rather than seven o'clock.

20 COMMISSIONER WICKWIRE: Q. The point is that
21 it is feathering, is that it?

22 A. That is about it, but these---

23 MR. HUNT: Q. Have you any agreement with
24 Canadian National railways now not to go west
25 of Montreal?

26 A. The agreement which Canadian National
27 and Canadian Pacific will enter into with
28 steamship companies includes that agreement.
29 In other words, the railways are entering into
30 an agreement for the furtherance of freight,



1 like the C. P. R. want the freight furthered
2 from Montreal to St. John's. They are not
3 entering into an agreement with somebody who is
4 going to compete with them on that run, but there is
5 nothing to prevent us from competing with them
6 from Montreal to Saint John.

7 Q. Is there any term in the agreement on
8 rates, Mr. Clarke?

9 A. I don't believe there is. You see,
10 the question of rates is this, that there is nothing
11 in the agreement on rates, because you enter into
12 an agreement to further the traffic. Then the rate
13 has been set by the Canadian National Railways
14 from any point in Canada to St. John's, and that
15 is the rate, so there is no question of an agreement
16 on rates.

17 Q. There is no section in that agreement
18 covering rates, rates that you will charge, say,
19 from Montreal?

20 A. Not that I know of.

21 THE CHAIRMAN: Q. What do you mean, not
22 that you know of? Mr. Hunt's question is, Is there
23 any agreement with the railroad as to the rates
24 which you will charge other than your Montreal
25 to St. John's.

26 A. Well, you had two questions, sir.
27 Your first question was, Is there any agreement
28 as to the rates which we will charge, and I said
29 No, that they are the railway rates.

30 Your second question is, Is there any



1 agreement with regard to rates that we will charge
2 from Montreal, and I had said already that there was
3 no restriction on our rates from Montreal in that
4 matter.

5 Q. As far as the railroad is concerned,
6 you are able to charge five cents or five dollars,
7 not shipping by railroad?

8 A. From Montreal.

9 I would like to clarify something that came
10 up: Mr. Hutcheson spoke about a differential and
11 there seemed to be a question that we were going
12 just so much under the rail. You have to fix
13 class rates on some basis and you usually say,
14 on the first class rate, "This year we will put
15 so much under the rail and we will scale it down."
16 However, the majority of the cargo carried by us
17 from Montreal is on commodity rates and those are
18 the rates where people are moving flour or canned
19 goods or furniture, and we say the rate will be
20 so much, and that has no reference to class rates.

21 In other words, the rail tariff is the basic
22 tariff, and for class rates we do say -- Well,
23 we can change that rate if we want to, but the
24 majority of the cargo is moved on what is known
25 as commodity rates, which are spot rates for
26 specific cargoes, and those are fixed by us,
27 depending on competition. Certain goods might be
28 landed in St. John's at a lower cost, but until a
29 Canadian manufacturer would compete in the
30 business, we might quote the lower rate.



1 COMMISSIONER WICKWIRE: Q. Does the railway
2 move by those rates?

3 A. They have class rates, but I would think
4 we use more class rates than they do, although they
5 have lots of commodity rates, too.

6 THE CHAIRMAN: Anything further, Mr. Mundell?

7 MR. MUNDELL: Just one thing:

8 Q. In connection with the competition
9 that you anticipate or fear from United Kingdom
10 shipping, do you anticipate being out-competed on
11 the North Shore?

12 A. The situation is that U. K. ships
13 probably could compete from Montreal to maybe a
14 point like Seven Islands, but when you take the
15 North Shore as a whole, the business of that coast,
16 and we are unloading with the unloading having to
17 be done by the crew, I think the conditions are
18 so difficult that I don't think you will find
19 U. K. ships entering into the general business.
20 I don't think you will find the U. K. doing the
21 service we do on the North Shore, calling at all
22 the points that we call at. I do not say they
23 could not do it, but it would be difficult for
24 a U. K. operator to do it.

25 COMMISSIONER BELANGER: Q. It is not so at
26 the present time?

27 A. It is not so at the present time.

28 We have been chartering British ships and
29 we know what they can do, and when it comes to
30 the crew handling, they cannot stand up to our



1 men on that basis, and I don't think we need to
2 fear at the moment that kind of competition;
3 but you might get it at a specific point, between
4 Montreal and Seven Islands, for instance.

5 MR. MUNDELL: Q. Or from Seven Islands to
6 Contrecoeur?

7 A. We only move package freight there.

8 Q. Leaving out the package freight, then,
9 the situation is just about as you have described
10 it?

11 A. Yes.

12 THE CHAIRMAN: Did we not have evidence
13 yesterday that they were using British ships on
14 that northern run?

15 MR. MUNDELL: On the northern run, out
16 through the Straits of Belle Isle, sir.

17 THE CHAIRMAN: Yes.

18 MR. CLARKE: I think you are talking about
19 movements to the far north, for radar stations,
20 etcetera.

21 MR. MUNDELL: Q. And Goose Bay.

22 A. We are operating to Goose Bay. I
23 don't know if the ship is British registry. She
24 may be under a British flag, for reasons that
25 she happens to be that way when we bought her,
26 when they bought her, but she is really a
27 Canadian ship and we operate a service there.

28 To the far north there are British ships
29 operating, but there are also Canadian ships
30 operating, the "Farendoc", for instance.



1 THE CHAIRMAN: Q. Would that operation not be
2 more difficult than the ones you were discussing?

3 A. I will tell you how that operation
4 works: It is not an operation for risk, like a
5 steamship operation to the North Shore or St. John's.
6 The Canadian Government charters a ship and pays
7 so much a day, and so far as the ship owner is
8 concerned he does not care if the rate is \$25 or
9 \$100; he only gets so much a day. Then the
10 Government arranges for somebody to load it here
11 and, up in those norther bases, somebody else
12 discharges it. It may be an arrangement with U. S.
13 stevedores that they have flown in to do that sort
14 of a job.

15 When I said competing, I meant competing
16 on a fixed price basis for a ton of freight.
17 In other words, in this case the Canadian Government,
18 in most cases the Canadian Government is taking the
19 risk.

20 MR. MUNDELL: Q. There is one final thing:
21 Could you describe the relationship of your various
22 companies? I take it Clarke Steamship Company is
23 wholly owned by Canadians. What about the other
24 companies? Are they all subsidiary companies?

25 A. No, they are not subsidiary
26 companies. Each company is an independent
27 company, from the point of view of its physical
28 setup. They have various shareholders and in
29 all the companies the shareholders are Canadians
30 and they may be different shareholders. You



1 will find one company that is operating with
2 purely local people in it, such as the company
3 La Cie de Transport du Bas St. Laurent, Limitee,
4 and another company will have other local people,
5 and may be around Newfoundland they will have the
6 same thing. They are all Canadian shareholders
7 and they are all Canadian companies.

8 Now, we operate them all under Clarke
9 Steamship Company from the viewpoint of operating
10 efficiency. We have one operating department that
11 operates all the shipping and handles all the
12 ships and victuals it and so on, and from that
13 they allot a share of the cost to the various
14 companies.

15 Q. Is this done by agreements between
16 the companies and Clarke Steamship?

17 A. Yes.

18 Q. Could you indicate, in the tables
19 you are going to give us, the ownership of the
20 shares?

21 A. Yes, we will give you the names of
22 the companies that own them, and those companies
23 are all Canadian companies.

24 Q. But, generally, those companies
25 are operated from one central management?

26 A. That is correct, although we have
27 outside operation. The La Cie de Transport
28 du Bas St. Laurent is operated from Rimouski.
29 There is a main office that operates that
30 service, but the policy direction comes from



1 the same source.

2 THE CHAIRMAN: Thank you very much, Mr. Clarke.
3 I think we should not adjourn tonight without
4 my presenting my personal view that you have
5 presented a brief which shows an intensive amount
6 of work and have done so very intelligently indeed.

7 Ten o'clock next Tuesday morning.

8 ---Whereupon the proceedings adjourned at 6:10 p.m.
9 until 10:00 a.m., October 11, 1955.

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TUESDAY, OCTOBER 11, 1955.

---On resuming at 10.15 A.M.:

MR. GERIN-LAJOIE: Mr. Chairman, subject to your direction the order of appearances today will be the Quebec Federation of Labour first, then the Montreal Trades and Labour Council, Canadian Pulp & Paper Association; fourth, the Dominion Marine Association; and fifth, the Shipping Federation of Canada.

THE CHAIRMAN: That is satisfactory.

MR. GERIN-LAJOIE: So the first submission would be on behalf of the Quebec Federation of Labour. I understand Mr. Roger Provost is appearing on behalf of the Federation together with Mr. John McGough and Captain J.J. DesLauriers.

SUBMISSION OF THE QUEBEC FEDERATION OF LABOUR

---Represented by Mr. R. Provost, Mr. J. McGough and Captain J.J. DesLauriers.

MR. PROVOST: Mr. Chairman, my name is Roger Provost and together with me this morning I have Mr. John McGough, who is District Secretary of the Great Lakes and Eastern District, National Association of Marine Engineers of Canada; Capt. J.T. DesLaurier, who is connected with the Canadian Merchant Service Guild Inc., representing the masters, mates and pilots in the Eastern Division.

Mr. Chairman and honourable members of the



1 Board, in principle we are supporting the brief al-
2 ready presented by the Trades and Labour Congress of
3 Canada with which we are affiliated.

4 We wish to thank the Board for the opportunity
5 which was given us to appear before them here in
6 Montreal, and it is our intention with the permission
7 of the Board to submit a few verbal considerations
8 of a more particular or localized nature than what
9 is contained in the brief presented by the Trades
10 and Labour Congress of Canada.

11 The Quebec Federation of Labour represents
12 150,000 workers here in the Province of Quebec.
13 Among those 150,000 workers we have a number of affil-
14 iates, trades people, who are going to be affected
15 one way or another by the recommendations of your
16 Board. We are representing carpenters, plumbers,
17 boiler-makers, machinists, electrical workers, sheet
18 metal workers, operating engineers, shipyard riggers,
19 seafarers, longshoremen, marine engineers, all of
20 them one way or another connected with the shipbuild-
21 ing and shipping industry here in this Province
22 as well as elsewhere in Canada.

23 Whether or not Canada is to have a healthy
24 and functioning shipping industry is a matter of
25 vital interest for the Province of Quebec. A
26 brief study of this Province would show how entire
27 Quebec communities have made their living for
28 generations on ships plying the St. Lawrence
29 River trades and the Great Lakes trades. Centres
30 such as Pierreville, Levis, and Champlain have



traditionally supplied crews for the ships participating in these trades. The same consideration holds true in the shipbuilding trades, many communities now being in a depressed condition as a result of the present depression in the shipping industry. Towns such as Sorel and Lauzon, which are almost completely dependent upon their shipyards, have felt the pinch to a large degree. In the past, these places were prosperous from a healthy industry with other centres which have benefited from the shipping industry, including Port Alfred, Quebec City, Bagotville, Three Rivers, and Montreal. There are more, because when any industry is healthy its ramifications benefit the National Community as a whole.

For proof of the present effects of foreign and non-Canadian competition on the Canadian shipping industry, we need go no further than the shipping pages of the daily newspapers.

And we would like to deposit as an exhibit, and this shall be the only exhibit we would like to deposit, an excerpt from the Montreal Gazette of October 5, 1955, showing some ships, British flag ships, which were in the harbour of Montreal at that time.

<u>Ship</u>	<u>Company</u>	<u>Trade Advertised</u>
TEESWOOD	Constantine	Newfoundland-Great Lakes
AVONWOOD	Constantine	Newfoundland-Great Lakes
NOVA SCOTIA	Furness-Warren	Newfoundland-Halifax

(Excerpt from Montreal Gazette - cont'd)

<u>Ship</u>	<u>Company</u>	<u>Trade Advertised</u>
FORT AVALON	Furness-Warren	Newfoundland-Halifax
FORT HAMILTON	Furness-Warren	Newfoundland-Halifax
NEWFOUNDLAND	Furness-Warren	Newfoundland-Halifax
SHELDRAKE	Unknown British	Montreal-Newfoundland
		chartered by Clarke Steamship
SUNKIRK	Saguenay	Montreal-Vancouver
DUNDEE	Newfoundland Line	Newfoundland-Great Lakes

We want to state that in addition to the above names the Dominion Coal and Steel Company employs 13 British flag ships in the Nova Scotia-Newfoundland-Montreal coal trade.

There are two British vessels, the Lake Michigan and Keta which have just completed four months' work running between Montreal and Fort Chimo and other Labrador ports.

The Saguenay Terminals, which is the Aluminum Company, has employed as high as 10 British flag ships on coastwise runs -- mainly on the Montreal to Vancouver run.

Manchester Lines Limited employs three specially-built Lake ships, and while their voyages originate in the United Kingdom, they pick up transshipments at Canadian ports for Canadian ports.

Newfoundland Line employs at least another three British flag vessels on Newfoundland-Great Lakes trades.

The foregoing is not a full picture. It



1 takes in only ships trading at Montreal and bidding
2 for Montreal freight. A similar condition exists
3 at all principal Canadian ports.

4 MR. GERIN-LAJOIE: Mr. Chairman, the witness
5 has just read in its entirety the excerpt to which
6 he referred, so I believe there is no need to file
7 it separately.

8 MR. PROVOST: No doubt your Commission is
9 also aware of the position it places the domestic
10 industry in when they are required to quote rates
11 against this type of competition. I understand
12 that the Commission has already obtained the facts
13 and figures from the heads of this industry attesting
14 to their situation. For this reason, I will not
15 go into this matter any further. The future pros-
16 pects of the industry are another matter. The
17 Quebec Federation of Labour views them with appre-
18 hension and the utmost uneasiness. We feel the
19 recent Treaty and Engineering developments on the
20 Seaway piled up on the present economic situation
21 will finish this Canadian industry within a very
22 short space of years.

23 We are aware that your Commission has heard
24 certain suggestions tendered as solutions to the
25 present problem. It is our wish to comment on
26 these later. We are also aware that certain
27 groups, some of whom were frankly protecting their
28 profits, and some of whom sincerely believing they
29 were advocating the course most beneficial to
30 Canada, opposed in no uncertain words any changes



1 in the status quo. The opposing groups appearing
2 before the Commission fell into three main divisions
3 of opposition toward any Canadian Government assis-
4 tance to the shipping industry. These divisions
5 were:

6 1. Commonwealth and other Shipping Inter-
7 ests frankly protecting newly-established
8 trades and future expansion plans.

9 2. Interests within and without our com-
10 munity sincerely advocating that Britain in
11 particular and the sterling area generally be
12 given every opportunity to earn dollars from
13 this source, so that the sterling area could
14 continue to buy other Canadian goods and ser-
15 vices.

16 3. Interests within and without our com-
17 munity who are anxious to retain the cheapest
18 possible transportation rates at any cost.

19 We hold no particular brief with the first
20 group, except as insofar as they have attempted
21 the guise of Canadian companies. Lines such as the
22 Elder Dempster Line, Saguenay Terminals, Canuck
23 Lines, Atlantic Shipping Agencies, and others are
24 operators of wholly British flag fleets or alien
25 flag fleets, and we of the Quebec Federation of
26 Labour feel that they could have made their posi-
27 tions clearer by making their presentations as
28 British shipowners or foreign-flag shipowners.
29 In effect, they have stated that they wish to con-
30 tinue in Canadian trades on the present basis.



Whether or not this argument represents the best deal for Canada is the purpose of this Commission in the Commission's deliberations.

The second division from parties believing that Britain should get a break in this field is easily understood by us. In this Province, while, firstly, we are fiercely loyal to our Queen, we treasure our old customs and our language, and many of us had heavy hearts while France was undergoing her travail in the last war. We can understand why many of our countrymen want to do everything in their power to help Britain. It is our opinion, however, that while the advocates of this line of thinking may feel that they are giving Britain a silk purse filled with dollars, future developments such as a war or similar emergency might prove that Britain got no more than a sow's ear. Is it sound reasoning to help Britain by weakening Canada? We ask that question. Past contributions of the Canadian shipping industry should be weighed against present circumstances. It is true that Canada's deep-sea fleet was largely a war invention. It is also true that Canada's coasters and lakers have always been a force in the Canadian economy in both war and peace. The combined Lakes fleets of the United States and Canada were highly instrumental in winning two world wars. This combined fleet made possible the large-scale transfer of raw iron ore to central smelters to forge the arms which defeated the common enemy. If there had



1 been no large standing ready tonnage under the Canad-
2 ian and American flags, would this transfer have
3 gone so efficiently and smoothly? We of the Quebec
4 Federation of Labour think not. We agree that
5 the sterling area should earn more dollars. We do
6 not agree that crippling the Canadian shipping indus-
7 try is the way in which it should be done. Such
8 a formula, in our opinion -- and we submit it to
9 your Board -- is dangerous from every viewpoint.

10 Objections have been raised in front of you,
11 Mr. Chairman, and your Board, from parties interested
12 in obtaining the cheapest possible transportation
13 costs. These parties have bluntly expressed the
14 view that the Canadian shipping industry should be
15 sacrificed on the altar of reduced costs. We would
16 like to point out to the Commission that many of
17 these groups are themselves protected from foreign
18 competition or British competition by tariffs.
19 In the Saguenay Terminals submission it was stated
20 that the transportation costs should be reduced
21 so that the consumer's price for the end product
22 could be lowered. This company is a subsidiary
23 of the Aluminum Company of Canada, which is in
24 turn connected with the Aluminum Company of America,
25 and they produce aluminum products. It is note-
26 worthy that there has been no reduction in the
27 prices of pots and pans or other products since
28 Saguenay Terminals got rid of its Canadian flag
29 fleet by transferring every last one of them to
30 British registry.



1 So we fail to see in which way the Canadian
2 consumer has profited by the transfer of the entire
3 fleet of Saguenay Terminals to British registry.

4 Our Federation gravely doubts whether any
5 of the three main arguments for continuing the pre-
6 sent basis of operation for the Canadian shipping
7 industry are justification for the virtual elimina-
8 tion of a multi-million dollar Canadian undertaking,
9 an industry which has in the past employed as high
10 as forty thousand Canadians. We do not believe
11 that any other country would sacrifice their coastal
12 ships in their own territorial waters, nor would
13 they sacrifice any other industry which required
14 as much capital outlay as shipping and shipbuilding.

15 In addition to our support of the coastwise
16 and shipbuilding industries at home, our Federation
17 also urges your Commission to give your earnest
18 consideration to the re-establishment of a foreign-
19 going Canadian Merchant Marine. Such a Merchant
20 Marine could be sustained in some measure by sub-
21 sidies and also by the exclusive carriage of Canad-
22 ian Aid and Military Assistance contracts. A
23 measure of this sort is already in effect in the
24 United States, and it is known as The Fifty-Fifty
25 Act. It provides that at least 50 percent of
26 all Aid cargoes and Military Assistance cargoes
27 be carried in United States flag bottoms. We feel
28 that a measure of this nature in Canada would get
29 a small Merchant Marine off to a good start with
30



1 the least amount of operating subsidy assistance.

2 It is the opinion of our Federation that Canada
3 should maintain a strategic force of Canadian flag
4 merchant ships in operation, both to complement the
5 present Armed Forces and also to place Canada in a
6 better position to obtain bottoms for any emergency
7 affecting Canada's interests.

8 We urge the Commission to recommend to Parlia-
9 ment that only Canadian-manned, registered, and
10 built vessels be allowed to participate in the
11 coasting trade of Canada.

12 We urge your Commission to recommend to Par-
13 liament that talks be opened with the United States
14 regarding water-borne trade between the two countries
15 on the Great Lakes. We urge this trade be confined
16 to Canadian and United States vessels on an equitable
17 basis.

18 We urge your Commission to recommend to
19 Parliament that a Merchant Marine Committee be con-
20 stituted as a standing committee, to foster a healthy
21 Canadian shipping industry, to advise Parliament
22 on legislative steps and other action necessary
23 to attain this objective.

24 The Quebec Federation of Labour expresses
25 its thanks to your Commission for the opportunity
26 which it has extended to us to present our views.
27 We have appreciated the thorough manner in which
28 the Commission has pursued its investigations from
29 Coast to Coast, and we will be watching the final
30 stages of your investigational tour with interest.



Thank you again, Mr. Chairman and gentlemen.

MR. GERIN-LAJOIE: Q. Mr. Provost, I have a few questions for you, and if you feel that other members of your party are in a better position to answer the questions, I am sure it would be in order for you to ask them to supply the answers. First of all, would you tell the Commission if you have any of your members engaged in the actual shipbuilding industry?

A. We at the present time have contracts, labour contracts, with Canadian Vickers in Montreal, Darling Brothers, Peacock Brothers, Canadian Cars, and a number of others, but those, I understand, already appeared, or some of them, before your Board.

Q. I understand, and you will correct me if this is not your information, that all the companies you have mentioned apart from Canadian Vickers are suppliers of shipbuilders?

A. They are suppliers, they are making parts, not only supplies but they are making parts, and they are sub-contractors, some of them, for the shipbuilding industry.

Q. And they also do some works apart from what is in the shipbuilding --

A. That is right, it is only part of their main occupation.

Q. Are all the employees of Vickers your own members or part of them?



1 A. Well, I would not like to tell the
2 whole labour story here, it will go back a couple
3 of years ago. No, we represent at Vickers, to
4 answer your question, we represent the skilled people,
5 the machinists, the boiler-makers, electricians
6 and the others; and another labour organization,
7 the Federation of Catholic Syndicates represents
8 another part of the shipyards, mostly labourers and
9 unskilled people.

10 Q. Now, you referred in your statement
11 a moment ago to the competition of British-built
12 and British-registered vessels, and you have refer-
13 red particularly to advertisements or news pub-
14 lished in the Montreal Gazette. The list of ships
15 which you have given to the Commission, do you
16 really believe that that shows that the Canadian
17 shipping industry is in a bad situation, just be-
18 cause British-built and British-registered vessels
19 happen to go to Montreal?

20 A. We did not give that as an exhibit
21 which would prove without any doubt what we brought
22 forward, but just as an example, rather, we picked
23 at random what appeared in one edition of the
24 Gazette one morning, October 5th. It just shows
25 how the Canadian ships are at a disadvantage be-
26 cause they have to quote rates against these people
27 who are advertising lower rates in the local and
28 main newspapers, and asking the companies who
29 are concerned with shipping their goods to ship
30 through their companies because they can give



much lower rates.

THE CHAIRMAN: Q. Why can they give lower rates?

A. They can give them lower rates because, first, their wages are the thing we are most concerned with and they are much lower, being foreign ships, foreign-registered ships, than Canadian ships.

MR. GERIN-LAJOIE: Q. Have you seen the rates charged by those companies you have mentioned and other companies operating Canadian ships?

A. Personally, no.

Q. Have you any information as to whether those British ships you have mentioned do the same kind of transportation, transfer the same type of cargo, as the Canadian-operated ships?

A. No, this part we did not go into very much because we felt that the Canadian companies interested, like those who presented briefs before, would supply the Board with those technical details which are not exactly our line of business, as you undoubtedly know, and we want to leave to the experts of the various companies to tell you the differential in the value of ships.

Q. Now, the ships you have mentioned operate not above Montreal anyway, that is, from Montreal and below?

A. That is right.

Q. Only. Do you have any reason to believe that after the Seaway is completed such



1 vessels would be in a position to make hard competi-
2 tion to Canadian Lakers?

3 A. We have got reason to believe that
4 these ships and others will be able to go, in the
5 Seaway development, as far as the Great Lakes and
6 not only take part but take just about all of the
7 Canadian shipping industry, the coastal industry.

8 Q. But don't you think that many factors
9 have to be taken into consideration, and that such
10 factors may put them in a less advantageous position
11 than Canadian Lakers?

12 A. Well, it is hard to determine all the
13 factors at the present time. The Commission will
14 probably be in a better position to judge all of
15 those factors once the Seaway is completed.

16 Q. But in regard to the tonnage that these
17 ships may carry and the tonnage which may be car-
18 ried by another type of ship which is the Laker,
19 have you considered or not particularly ---

20 A. No.

21 Q. How those two types of ships may
22 compete?

23 A. No. I tell you, we did not go very
24 deeply into the technical details which we wanted
25 to leave to the companies who know more about
26 that than we do ourselves. We are mainly con-
27 cerned with what is happening now and, by what
28 is happening, what is bound to happen to our mem-
29 bers working in the shipyards selling Canadian
30 ships.



1 Q. And are you relying mostly on the
2 evidence supplied to this Commission by the shipping
3 operators?

4 A. By the shipping operators.

5 Q. Shipowners?

6 A. Canadian companies having their ships
7 registered in Canada. We do not rely on the Canad-
8 ian companies having their ships registered in
9 Great Britain or elsewhere.

10 Q. You have mentioned in your statement
11 that you can understand why many of our countrymen
12 want to do everything in their power to help Britain.
13 Do you suggest that many persons in Canada would
14 like to help Britain just because it is a friendly
15 nation or because it is advantageous from an economic
16 standpoint for Canada?

17 A. Well, in my opinion, Mr. Chairman,
18 I would like to submit that, first, Great Britain
19 is not only a friendly nation, it is a brother
20 nation or sister nation, I should say. Secondly,
21 we feel that giving the advantage to Great Britain
22 of earning dollars is good to Canadian trade, but
23 is it the proper industry, the shipping industry,
24 where to give Great Britain the advantage of
25 earning dollars?

26 THE CHAIRMAN: Q. How should it be done?
27 You say that Great Britain should have an oppor-
28 tunity, but there should be another way. Now,
29 what is the other way?

30 A. Well, there are other industries.



Q. What other industries?

A. There are a number just like at the present time Great Britain is given the opportunity of earning dollars in the woollen and worsted industry, for instance, in the textile industry, where our industry is somewhat depleted, but we feel this is not an essential industry to Canada. On the other hand, we might, by getting rid of our entire fleet, give Great Britain an opportunity of earning more Canadian dollars; but the question that arises in our minds is, in time of war, we might not be of any service to Great Britain if we have no Merchant Marine, if we have got no Canadian ships with which to carry the essential material for the help and protection of Great Britain and Canada. In other words, we feel that in the long run we might not be of any service to Great Britain which we consider is a sister nation.

MR. GERIN-LAJOIE: Q. Mr. Provost, don't you feel we would have ships operating in the St. Lawrence River and Great Lakes anyway, ^{and} it is only a question of what flag they may be?

A. Yes, but I am told, have the reason to believe, that in case of war, if they are not carrying Canadian flags they will be designated to operate wherever the country where they are registered will designate them to operate. We might be depleted completely, we might be without ships to carry essential materials.

THE CHAIRMAN: Q. Have you ever heard



of the NATO pool?

A. Oh, yes.

Q. Well, the competition which you spoke of sweeping Canadian ships from the St. Lawrence would be United Kingdom competition, and those ships would there be under the direction of the NATO pool.

A. That is right.

Q. Do you think the NATO pool, if it regarded the grain shipments in the Great Lakes and the ore shipments in the Great Lakes as vital, would direct ships away from the carriage of it?

A. They might not, but they could.

Q. But they could? I suppose they could do any fantastic thing, but would they ever think of depriving themselves of the two chief forms of sinews of war?

A. Probably they would not, Mr. Chairman, but we are, in our opinion, to some extent at the mercy of international relations, and we hope our relations with Great Britain and other countries will remain as they are now and even get better; but being without our own ships we do not know what the future has got in store for us, and in case of emergency we might be left without anything to carry, without any ships to carry our own essential materials. We hope and we pray and we do not expect the thing to happen, but emergencies and things like that are not things that we foresee, they simply happen.



MR. GERIN-LAJOIE: Q. In your statement

1 you have mentioned that a number of parties have
2 expressed the view that Canadian shipping industries
3 should be sacrificed for obtaining reduced trans-
4 portation costs and you pointed out that many of
5 these groups are themselves protected from foreign or
6 British competition by tariffs, and you mentioned
7 the Saguenay Terminals. I wonder if you are aware
8 that groups as important and as representative as
9 the Government of the Province of Manitoba and the
10 Government of the Province of Newfoundland have
11 represented to this Commission that the question of
12 transportation costs was a major one?
13

14 A. I am not aware of the brief presented
15 by those two Provinces.

16 Q. I imagine that these groups cer-
17 tainly deserve serious consideration, even if in
18 your view groups like the Saguenay Terminals would
19 not deserve the same consideration.

20 A. I would think that their briefs de-
21 serve serious consideration. As a matter of
22 fact, I am positive that the Board would give
23 serious consideration to them and the groups repre-
24 sented in front of them, but I am not aware of
25 what they said in their briefs.

26 Q. You proposed a subsidy plan for
27 helping a Canadian Merchant Marine. As you know,
28 international trade is not a matter for the con-
29 sideration of this Commission except insofar as
30 it is related to coasting trade, but I wonder



1 if your plan on subsidy or your proposal for sub-
2 sidies could not be applied to the coasting trade
3 instead of proposing the restriction you propose?

4 A. We haven't gone into this considera-
5 tion, and the only thing I can give you on that is
6 a very personal opinion which would probably reflect
7 the opinion of my colleagues if no one else, but I
8 would rather not express an opinion on that, the
9 possibility of subsidies, I mean, to the coastal
10 trade.

11 Q. You say that you have not considered?

12 A. Subsidy to Merchant Marine, we have
13 a number of examples in other countries like the
14 United States, but on coastal trade, to my personal
15 recollection, I do not know of any similar example,
16 so I would not want to be in a position of stating
17 a personal opinion here which is not backed up by
18 the group I represent.

19 Q. You have not considered this possi-
20 bility?

21 A. We have not considered it.

22 Q. You also proposed that the Commission
23 recommend that a Merchant Marine Committee be
24 constituted. Is this only for the purpose of an
25 ocean fleet, or what?

26 A. No, no.

27 Q. Would this committee also embrace
28 coastal trade?

29 A. It would embrace coastal trade too.

30 THE CHAIRMAN: Just a minute, is this a



committee of the House of Commons?

1 A. Just like the Railroad Committee.

2 THE CHAIRMAN: Well, that is not within our
3 consideration or power to recommend.

4 MR. GERIN-LAJOIE: I was going to ask the
5 witness whether he feels that should be something
6 different than the present Maritime Commission.

7 THE CHAIRMAN: We are not concerned in
8 committees of the House of Commons like the Railway
9 Committee.

10 MR. PROVOST: Yes, as the Railway Committee,
11 that is what we had in mind, Merchant Marine Com-
12 mittee as the Railway Committee.

13 MR. GERIN-LAJOIE: This would be a matter
14 of the internal machinery of Parliament. Those
15 are all the questions I have, Mr. Chairman.

16 THE CHAIRMAN: There was one question in the
17 excerpt you read from, I believe the Gazette, which
18 said that Manchester Line runs three specially-
19 built Lake ships. What are those Lake ships?

20 A. (MR. McGOUGH): Mr. Chairman, the
21 Manchester Lines did build three special cargo-
22 carrying freighters, but for the purpose of going
23 through the size of locks we have from Montreal
24 to Welland, and also they are transshipping car-
25 goes direct from the U.K. to Canada. They could
26 be used at any time in competition to our Lake
27 carriers.

28 Q. What are those ships, that is what
29 I want to know.
30



1 A. The Manchester Pioneer is one. There
2 are three specially-built ships built to meet the
3 sizes of the Lachine Locks to the upper reaches of
4 the Great Lakes.

5 Q. They are the 14-foot draughts?

6 A. Mr. Chairman, they could be. I believe
7 they go to about 28-foot draught.

8 Q. How do they get them through the
9 Lachine Lock?

10 A. They come along and they are lightened
11 off when they come to Montreal. In other words,
12 they take just the necessary draught of cargo to per-
13 mit them to go through the levels of the Locks and
14 when they come down to Montreal they top off with
15 the necessary cargo for the ocean voyage.

16 Q. Then go across the ocean?

17 A. Yes, they are in the trade direct to
18 London and Liverpool, I believe, Manchester.

19 MR. GERIN-LAJOIE: Mr. Chairman, I wanted
20 to ask the witness also if they have any of their
21 members in the crews of the ships, in the actual
22 operating of the ships?

23 MR. PROVOST: Yes, we also represent the
24 Seafarers International Union, who are represen-
25 ting the Canadian sailors, and also we have got
26 marine engineers of whom Mr. McGough is the repre-
27 sentative. They have got the captains and the
28 mates and the masters of whom Capt. DesLauriers
29 is the representative.

30 MR. GERIN-LAJOIE: Q. And they are crews



not only of international freight ships, but also of coast-wise vessels?

A. Of coast-wise vessels.

COMMISSIONER WICKWIRE: Mr. Provost, your recommendation is that only Canadian-manned and built vessels be allowed in the coastal trade of Canada, is that correct?

A. That is correct.

Q. Well, there is a very large proportion of the present Canadian fleet which was not built in Canada. What, in your view, happens to that?

A. Well, those are already built, we cannot ask for them to be scuttled, but we would like them to register if they are not in the Canadian register at the present time, and that in future ships that are going to sail on coastal trade should be built in our own shipyards.

Q. That is what I thought you meant, but you hadn't said that.

A. I had not clarified that at all, you are right.

COMMISSIONER BELANGER: D. Monsieur Provost, si j'ai bien compris, vous représentez certaines unions de marins?

R. Oui, monsieur.

D. Est-ce qu'il serait possible de nous donner une idée des salaires des marins canadiens au cours des cinq dernières années, et le salaire payé sur les navires britanniques qui font du cabotage dans nos eaux? Je vais vous dire



1 pourquoi la chose m'intéresse: c'est parce qu'on
2 nous a représenté à plusieurs reprises que les
3 navires britanniques qui demeureraient assez longtemps
4 dans les eaux canadiennes avaient tendance à voir
5 leurs salaires augmenter et rapprocher sensiblement
6 les salaires des marins canadiens. Est-ce que
7 vous auriez une idée?

8 R. Est-ce que vous me permettez de
9 consulter mes amis pour voir s'ils n'ont pas
10 d'objection à donner leur liste?

11 D. L'idée est de connaître les tendances
12 dans les deux cas. Est-ce que la tendance des
13 marins britanniques est plus fortement à la hausse
14 que celle des navires canadiens?

15 R. Nous vous préparerons cela le plus tôt
16 possible et nous le ferons parvenir à la Commission.
17 Nous n'avons aucune objection.

18 MR. GERIN-LAJOIE: Je pense bien qu'il
19 faudrait qu'il soit mis clairement que les salaires
20 payés aux marins de navires britanniques devront
21 inclure le boni aux marins qui naviguent dans les
22 eaux canadiennes.

23 MR. PROVOST: They would like to have
24 stated what wages were paid to Canadian seamen,
25 mates and captains, in the past five years, com-
26 pared with the wages paid by British ships,
27 British-registered ships doing some coastal trade
28 in Canada, to show the differential. Do you
29 think you people would be in a position to give
30 that?



1 MR. McGOUGH: Yes, we can give you that.

2 COMMISSIONER BELANGER: D. Evidemment, s'il
3 est bon d'inclure le boni payé aux marins
4 britanniques, il serait bon aussi d'inclure les
5 bénéfices marginaux qui sont payés aux marins
6 canadiens.

7 R. En d'autres mots, vous voudriez avoir
8 une image aussi complète que possible de ce que
9 peut retirer le marin britannique sur les navires
10 britanniques dans les eaux canadiennes et ce que
11 peut retirer le marin canadien dans les eaux
12 canadiennes; tout ce qui constitue son salaire.

13 D. Je vous le demande pour plusieurs
14 années pour connaître les tendances.

15 R. Nous nous ferons un plaisir de vous
16 soumettre ceci.

17 MR. PROVOST: That would include bonuses
18 that might be paid to British-registered ships in
19 coastal trades, if there are any. They are told
20 that some of the British-registered ships give
21 some bonuses to work in Canadian waters.

22 CAPT. DESLAURIERS: I understand that
23 there are bonuses paid on the 13 ships employed
24 by the Dominion Coal Company since their crews
25 walked off last March, on the Sea Blue and the
26 Sheldrake, in protest against the low wages and
27 the small advances in Canadian ports.

28 MR. GERIN-LAJOIE: D. Etes-vous en mesure
29 de dire s'il y a du temps supplémentaire qui se
30 paye dans diverses conditions sur différents



1 navires, par exemple, s'il faut payer temps double
2 pour les dimanches et fêtes?

3 MR. PROVOST: Would you know whether there
4 is any time-and-a-half or double time being paid
5 on both British and Canadian ships or on either one
6 of them? Are there any conditions like that, can
7 you tell us?

8 CAPT. DESLAURIERS: There is an overtime
9 rate on British ships and there is an overtime rate
10 on Canadian ships. I could provide the overtime
11 rates and the information you have asked for before.

12 MR. PROVOST: Nous ajouterons les conditions
13 travail. Nous essaierons de vous donner un tableau
14 le plus clair possible sur un groupe comme sur
15 l'autre.

16 MR. GERIN-LAJOIE: D. Je vous demanderais
17 d'apporter un grand soin à cela parce que c'est
18 important.

19 R. Nous allons essayer de voir à ce que
20 tout soit exact et le plus complet possible.

21 THE CHAIRMAN: Further questions?

22 MR. SIMARD: I have one question. I
23 would like to know if your union represents a
24 group of stevedores?

25 A. Also we represent the longshoremen
26 in Montreal and Saint John and Halifax.

27 Q. Thank you.

28 A. All those who are unloading cargoes
29 are members of our organization. There are
30 2,200, I think, in Montreal and some 700 or 800



1 in Saint John, and about 1,000 in Halifax, roughly.

2 Q. Was it St. John's, Newfoundland?

3 A. Saint John, New Brunswick.

4 COMMISSIONER WICKWIRE: In St. John, New-
5 foundland?

6 A. I am not positive, I think so, but I
7 am not positive, but I could get the information
8 for your Board, all the details of that if the Board
9 wishes; we can tell them the type of work, how many
10 of them we represent all over.

11 Q. If you have some in St. John, New-
12 foundland there are a few questions I would like to
13 ask you.

14 A. You see, sir, if you will allow me to
15 say, we prepared the brief mostly in regard to the
16 Province of Quebec, but this information I could
17 get from the Trades and Labour Congress of Canada,
18 but what information I will give you will be just
19 from memory and guess.

20 THE CHAIRMAN: Further questions?

21 Thank you very much, sir.

22 A. Thank you, Mr. Chairman and gentle-
23 men.

24
25
26 MR. GERIN-LAJOIE: Mr. Chairman, the next
27 group to appear is the Montreal Trades and Labour
28 Council.
29
30

SUBMISSION OF THE MONTREAL TRADES AND LABOUR COUNCIL

---Represented by:

Mr. Romeo Gerard, Secretary, Montreal Trades and Labour Council;

Mr. John McGough, District Secretary, Great Lakes and Eastern District, National Association of Marine Engineers of Canada;

Capt. J.J. DesLauriers, Agent, Canadian Merchant Service Guild, Eastern Division;

Mr. Leonard J. McLaughlin, Secretary-Treasurer, Seafarers International Union of North America, Canadian District.

MR. ROMEO GERARD: Mr. Chairman and members, we of the Montreal Trades and Labour Council are pleased to have the opportunity of presenting our views on the matters of vital importance contained in the terms of reference of your Commission.

Our Council represents 85,000 workers of Montreal and allied districts, of which a sizeable proportion is engaged in the shipping industry or in jobs subsidiary to the shipping picture. This fact is not unexpected in a Port City as large as Montreal, and, for this reason, matters connected with shipping are of grave concern to our members. Montreal is a secondary industrial area, producing all types of heavy production, and, for this reason, has in the past found much employment, not only in crewing and sailing ships, but also in providing varied goods and services to the shipping industry. The decline of the Canadian-flag deep-sea fleet, together with the virtual elimination of Canadian-flag ships from some of the St. Lawrence River routes and some inland routes, have caused our Council grave concern. The



1 depressed condition of the shipbuilding and ship
2 repairing industry today has thrown hundreds of
3 Montrealers on the streets to seek other jobs, and
4 has lost this particular industry many skilled crafts-
5 men. As an example, the Vickers Drydock Company in
6 1950 employed a peak of two thousand employees.
7 Today the payroll figure stands at just a little
8 over twelve hundred employees, with lay-offs im-
9 minent at any time. Since this drydock has been
10 fortunate in some respects in obtaining Naval and
11 Government contracts, it has managed to retain a
12 hard core of skilled craftsmen from this source alone.
13 These contracts are now almost completed, and with
14 little or no ship repair work on hand a reduction
15 of their working force is certain.

16 While this drydock is a specific instance,
17 the comparison is general. The situation takes in
18 many segments of the economic cycle of the city.
19 When a ship is built or serviced in Montreal, the
20 drydocks or repair yards are dependent upon many
21 sources of supply within Montreal for goods and
22 services necessary to the repair or construction
23 in hand. Thus, employment is sustained at a high
24 level.

25 To further complicate an already unhealthy
26 situation within this industry, there is the
27 future construction of the St. Lawrence Seaway pro-
28 ject. This project when completed would have a
29 devastating impact on the Canadian shipping in-
30 dustry under present conditions. It is not far-



1 fetched to suggest that it would completely elimin-
2 ate Canadian ships on the Great Lakes in the face
3 of non-Canadian competition. Your attention is
4 drawn to the fact that non-Canadian ships already
5 haul the bulk of the coastwise traffic on the coasts
6 of the Maritime Provinces. There are some forty or
7 fifty non-Canadian bottoms on trades originating
8 from these Provinces. In this instance alone, jobs
9 on Canadian trades are occupied by citizens of
10 other countries, by which means over two thousand
11 Canadian seamen are precluded from possibilities of
12 employment. This is not the only loss in this in-
13 stance. The forty or fifty alien ships on this
14 trade drydock and repair in their own countries.
15 They provision as far as possible in their own
16 countries. The crews on these ships are given the
17 smallest possible amount of cash advances from their
18 wages to be spent ashore in Canada, and these cir-
19 cumstances represent a very real loss to Canada.
20 If these ships were Canadian ships, with Canadian
21 crews, their wages alone would make a substantial
22 contribution to the economic life of the community.
23 The ships would drydock in Canada, and repair in
24 Canada, and provision in Canada, and pay their
25 taxes to Canada as any other Canadian citizen. The
26 people of Montreal would share in the advantages
27 of all these contributions.

28 On the other hand, under existing condi-
29 tions, little imagination is required to see the
30 results of the East Coast situation if it were



allowed to spread to the Great Lakes and other areas.

It would represent a great loss, both economically and defencewise, not only to Montreal and its districts, but to Canada as a whole. We submit to the Commission that the construction of the Seaway makes the final destruction of the Canadian-flag fleet not a possibility but indeed a probability under present-day laws.

We find ourselves in complete agreement with the position adopted by the Trades and Labour Congress of Canada with regard to a Canadian deep-sea fleet, that is, that in a trading nation as large as Canada the lack of a Canadian off-shore fleet is a disturbing deficiency which, in Canadian interests, should be rectified immediately. We agree, and submit that a subsidized fleet would provide the solution.

With regard to the coastwise and shipbuilding situations, it is our conviction that some form of legislative assistance is required. There are many precedents for this course of action. Rather than being unusual, a protected coastline for shipping is the rule in many countries of the world, while an unprotected coastline is a rarity. We quote the United States, the Commonwealth of Australia, the Dominion of New Zealand, Chile, and South Africa as countries which have some form of protection for their coastwise shipping lanes. We do not suggest that Canada adopt any of the legislation from these countries, as we feel that



a Canadian problem calls for a Canadian solution.

From the viewpoint of shipping being part of the general transportation picture of this country, there is no argument. Both the communications industry and the transportation industry are integral and highly important factors in the Canadian economy. The communications industry is protected by legislation against foreign or unfair competition to the full degree. In the transportation field, there are rigid regulations and legislation preventing foreign competition to Canadian aircraft, to Canadian railroads, and to the Canadian trucking industry. This is true of other industries considered vital to Canada's well-being.

Only the shipping industry is unassisted and unprotected within the transportation industry. It would seem to be an injustice that this industry, perhaps the most vulnerable of all to unfair competition from non-Canadian sources, should be left unprotected. It is a proven injustice to the many Canadian lads who spent their apprentice years in this industry, only to be thrown on the labour market as unskilled labourers when the decline came.

Again, the Montreal Trades and Labour Council supports the Trades and Labour Congress of Canada's position as it affects coastwise shipping and shipbuilding. We ask your Commission to recommend that only Canadian-manned and Canadian-built ships be allowed to engage in the coasting



1 trade in Canada. We suggest that this could be
2 done by appropriate amendments to existing Canadian
3 legislation.

4 We ask your Commission to recommend to Parlia-
5 ment that a suitable authority be established to
6 enforce these changes and to prosecute offenders
7 by means of increased penalties. We ask that this
8 authority be a standing authority.

9 We ask your Commission to recommend to Parlia-
10 ment that an agreement be reached with the United
11 States regarding intra-Great Lakes trade between
12 the two countries, restricting such trade to
13 Canadian and United States vessels on an equitable
14 basis.

15 Finally, we ask your Commission to recommend
16 to Parliament the establishment of a Merchant Marine
17 Committee whose function will be to advise Parlia-
18 ment on steps necessary to the maintenance of an
19 expanding shipping industry and a healthy Merchant
20 Marine within the framework of the Canadian economic
21 picture.

22 The Montreal Trades and Labour Council has
23 been pleased to have this opportunity to present
24 its views to your Commission on these very impor-
25 tant matters. We feel that your most important
26 enquiries and investigations will yield results
27 attending the best interests of Canadians every-
28 where.

29 Thank you, Mr. Chairman and gentlemen.

30 MR. GERIN-LAJOIE: Q. What is the



1 position of the Montreal Trades and Labour Council
2 within the framework of the Trades and Labour Con-
3 gress of Canada? You say you support the brief
4 of the Trades and Labour Congress of Canada.

5 A. Yes, because we are affiliated with
6 the Trades and Labour Congress of Canada.

7 Q. Is your body affiliated with the Quebec
8 Labour Council?

9 A. This Council represents Montreal and
10 the vicinity. The Quebec Council represents the
11 whole of Quebec. The Trades and Labour Congress of
12 Canada represents the whole of Canada.

13 Q. Does your Council send delegates to the
14 Quebec Council?

15 A. We send delegates to the Quebec Council
16 of Labour and we also send delegates to the Trades
17 and Labour Council of Canada.

18 Q. Do you have any seamen in the Montreal
19 Trades and Labour Council?

20 A. Yes, we have seamen in the Montreal
21 Trades and Labour Council.

22 Q. Is the Montreal Trades and Labour
23 Council subdivided in turn into locals?

24 A. The Montreal Trades and Labour Coun-
25 cil is a central body representing an organization
26 of bodies affiliated to this central body. Now,
27 each organization has its own locals, their own
28 jurisdictions, and structure. I don't know. We
29 are a central body.

30 Q. When you mention at the beginning of



1 your brief that the Vickers Drydock Company in 1950
2 employed a peak of 2,000 employees which has now
3 dropped to 1200, do you feel it is abnormal, even
4 if we had an ideal situation, for a shipbuilding in-
5 dustry to have such fluctuations in its employment?

6 A. I would refer your question to the ex-
7 perts here beside me.

8 CAPT. J.J. DESLAURIERS: Yes, that is very
9 unusual. With a drydock of that size a fluctuation
10 of 200 or 300 of the unskilled trades would not be
11 unusual, but when you approach almost half the
12 working force, then it is unusual.

13 Q. If we keep in mind that in 1950 the
14 Korean War was going on and Canada had a defence pro-
15 gram going on, do you think that it is unusual that
16 after the war program is complete ^{employment} in the ship-
17 building industry should drop down?

18 CAPT. DESLAURIERS: I would like to contend
19 that during that time there were some nine bottoms
20 constructed for Canadian shipowners in United King-
21 dom yards.

22 Q. In 1950, you say?

23 CAPT. DESLAURIERS: In the intervening
24 period between 1950 and the present period. Of
25 those orders, six were placed in or about 1950.

26 Q. That is some information, but I won-
27 dered if it really answers my question. Do you
28 not think it is normal to have a higher employment
29 in the shipbuilding industry when the country is
30 engaged in a war program or in a navy program?



CAPT. DESLAURIERS: Well, in answer to that

I cannot recall that the Vickers Drydock Company contributed anything to the Korean War except possibly a couple of overhauls for Canadian destroyers.

Q. Perhaps now I might ask you how many ships Canadian shipbuilding industries might have to build each year, let's say for the next ten or fifteen years, if we had the coasting trade reserved to Canadian-built ships? Have you considered that?

CAPT. DESLAURIERS: I would ask Mr. McGough to answer that.

MR. J. McGOUGH: At the present time there are approximately 13 British-built ships running between Sydney, Montreal, Newfoundland, Halifax, Saint John, New Brunswick, and Saguenay ports in the coal trade. Now if the Canadian shipowner, the true Canadian shipowner, the man who is a Canadian interested in building ships, if he had long-term protection to the effect that no British or foreign flag ship could trade in our Canadian coasting trade, we are quite confident that Canadian finances would be put into building 13 special types to run in this trade. But at the present time there is no guarantee of anything.

THE CHAIRMAN: Q. To carry up Nova Scotia coal?

MR. McGOUGH: That's right.

THE CHAIRMAN: If it couldn't be done by the cheap British transportation, do you think somebody would build Canadian ships to bring it up?



1 MR. McGOUGH: I am confident they would.

2 THE CHAIRMAN: At the prices they would
3 have to sell it for, where would they sell it?

4 MR. McGOUGH: Every industry in the country
5 -- our good friends in Newfoundland that were so
6 opposed to this protection of coastwise trade, they
7 have made sure with our Canadian Government that the
8 fisheries program is protected, that their indus-
9 trial programs are protected ---

10 THE CHAIRMAN: Don't wander. I asked you a
11 question. Where would they sell this expensive coal
12 they would carry up in Canadian bottoms?

13 CAPT. DESLAURIERS: I would like to reply
14 to that.

15 THE CHAIRMAN: Yes?

16 CAPT. DESLAURIERS: Special ships with greater
17 capacity would offset those considerations. I
18 would like to give you an example of the ore ships
19 employed by the Bethlehem Steel Company running
20 from Sparrow's Point to Cuba. Previously in this
21 run, between the war years, it was done by foreign
22 flag ships and the Bethlehem Steel Company now
23 operates specially-built United States flag vessels
24 with a greater capacity and they are more highly
25 mechanized with smaller crews.

26 THE CHAIRMAN: Where do they run?

27 CAPT. DESLAURIERS: From Sparrow's Point
28 to Cuba. They are known as the Ore Shipping
29 Company.

30 THE CHAIRMAN: They subsidize them?



CAPT. DESLAURIERS: No, they are not subsidized. They are operated as a subsidiary of the Bethlehem Steel Company.

THE CHAIRMAN: Surely newly-built ships in the United States are subsidized and that has the effect ---

CAPT. DESLAURIERS: From the construction end, that may be true, but not from the operating end.

THE CHAIRMAN: Well, I am talking about the construction end of it.

CAPT. DESLAURIERS: I wouldn't know about that.

THE CHAIRMAN: I point it out to you that the Dosco Coal is reaching Montreal now with the aid of this cheap transportation. If you increase the cost of transportation you just lengthen the trip eastward to which Pennsylvania coal is supplied. So if you exclude British carriers -- this is apart from any consideration of subsidies -- if you exclude British carriers, the British will stop coming here.

COMMISSIONER WICKWIRE: Which also puts the miners out of work.

THE CHAIRMAN: Yes. Have you any miners in the Trades and Labour Congress?

CAPT. DESLAURIERS: I could not go into the Crows Nest Pass rates, but I believe our fathers of legislation in Ottawa passed legislation protecting the Western farmer with his grains.



1 And so should the same legislation benefit the
2 miner or the coal company, any organization that wishes
3 to ship in competition with any other group. We
4 have the Grain Board at the present time which pro-
5 tects rates for the man that has the grain. It
6 should go on a vice versa basis.

7 MR. GERIN-LAJOIE: Q. Have you considered
8 to what extent and how the British-built and regis-
9 tered ships might compete with the Canadian Lakers
10 after the Seaway is completed?

11 CAPT. DESLAURIERS: They would be able to
12 compete in all principal ports, such as Chicago,
13 South Chicago, Milwaukee, Detroit and Duluth.

14 Q. Are you considering international
15 trade or coasting trade for the present?

16 CAPT. DESLAURIERS: Both trades. Both
17 international and coastwise trading. A ship can
18 leave the United Kingdom with a bill of lading for,
19 say, 2,000 tons for Montreal, 1,000 tons for Toronto,
20 say 1,500 tons for Chicago, and when she drops in
21 Montreal she can take 2,000 tons of coastwise
22 trade or coastwise loads along. She can accept
23 what she takes off there for that port of call.

24 THE CHAIRMAN: To what commodities are you
25 referring?

26 CAPT. DESLAURIERS: Package freight.

27 MR. GERIN-LAJOIE: Q. Do you know the
28 percentage of package freight, the percentage
29 that package freight represents of the total
30 water-carried items there are?



1 CAPT. DESLAURIERS: I know the situation as
2 to individual ships, but I do not know the percentage
3 as a part of the whole.

4 Q. From Montreal to the Great Lakes there
5 is very little package freight by water.

6 CAPT. DESLAURIERS: Well, there again, it
7 is a matter of comparison. If you are taking the
8 figures for the Canadian trade alone, there may be
9 a percentage there, but on the American side the
10 trucking interests over there have lobbied to the
11 point where American shipowners cannot carry package
12 freight. So if you took the entire picture you
13 get a misleading percentage.

14 Q. If we were to consider bulk cargo for
15 the time being, is it your view that the British-
16 registered ships would be in a position to compete
17 with the Canadian Laker, being of a different type,
18 carrying a smaller cargo and so forth?

19 CAPT. DESLAURIERS: I definitely think so.
20 The different types, the only difference I have
21 found in putting a load in a deep-sea ship and in
22 a Laker, is in a deep-sea ship you have to lay
23 down shifting boards, which isn't too much work.
24 That is, you have to compartment your holds up be-
25 cause they are so deep.

26 Q. Do you know that for the same draught
27 a Laker can carry approximately, if I am not
28 wrong, double the capacity in tonnage that an
29 ocean ship can?

30 CAPT. DESLAURIERS: That depends on the



1 type of ship you are talking about.

2 Q. Of course. That is why I am putting
3 that question to you. I am comparing ocean ships with
4 Lakers. Ocean ships have to be deeper and have a
5 larger draught for the same carrying capacity. That
6 is why I am asking you if you think that such ships
7 would be able to compete with Canadian ships, or will
8 they afford serious competition to the Canadian
9 Laker?

10 CAPT. DESLAURIERS: It is our contention that
11 the British and other nations are constructing bottoms
12 particularly for the coastwise trade. In fact,
13 they have already constructed bottoms suitable for
14 it.

15 Q. You mean ships that would stay in the
16 coasting trade of Canada and would not engage in
17 ocean shipping for any part of the year?


18 CAPT. DESLAURIERS: That is true. The
19 Scandinavians are well started.

20 THE CHAIRMAN: The Scandinavians are started?

21 CAPT. DESLAURIERS: Yes. They employ
22 their ships mainly in the international trade. The
23 Dow Line, they run out of Chicago, they are a
24 Swedish line, I understand.

25 THE CHAIRMAN: This British-built Laker
26 that you are speaking of, that is going to come
27 over and engage in the Lakes trade, how are your
28 men going to stay off the deck? Aren't you going
29 to have them unionized in a short time?

30 CAPT. DESLAURIERS: I do not know whether



1 the Canadian Labour Act would bring British crews
2 and ships within its jurisdiction. We have made a
3 couple of inquiries and the answers have not been
4 promising.

5 MR. GERIN-LAJOIE: Q. Is it your belief
6 that the British-registered ships operating here all
7 year round -- for the whole season -- would be able
8 to go on with a British crew and pay British wages
9 for many years, year after year, without any pressure
10 from the seamen to have the Canadian level of wages?

11 MR. McGOUGH: The Manchester liners have
12 continued ---

13 THE CHAIRMAN: No, no, they are not doing
14 the same thing. You told me they are going from the
15 head of the Lakes to Liverpool. We are talking now
16 about a British-built Laker that is going to sail
17 in the Lakes.

18 MR. GERIN-LAJOIE: Q. And stay there.

19 THE CHAIRMAN: Day after day, month after
20 month, year in and year out.

21 MR. McGOUGH: There is one company that is
22 in the trade that is on a charter basis that bears
23 a Canadian name, and they have operated for three
24 years on the same basis.

25 THE CHAIRMAN: Which company?

26 MR. McGOUGH: The Newfoundland-Great Lakes
27 Steamships of Toronto.

28 MR. GERIN-LAJOIE: Q. Have you consider-
29 ed the possibility of the subsidy system to help
30 both the shipping and shipbuilding industries in



Canada?

1 CAPT. DESLAURIERS: We are not fiscal ex-
2 perts and we felt that asking the taxpayers for
3 something which might be done by legislation ---

4 Q. Might be done by what?

5 CAPT. DESLAURIERS: We felt that asking the
6 taxpayers for something which might be done by
7 friendly legislation, which has a number of prece-
8 dents, would stand a better chance before the Com-
9 mission than proposing a direct subsidy.

10 Q. The argument has been put before the
11 Commission that the subsidy system would have all
12 Canadians and taxpayers pay their share of the cost
13 of helping Canadian shipping and shipbuilding indus-
14 tries while otherwise it would be only the operators
15 or the shippers or the owners of particular goods
16 which have to be shipped.

17 CAPT. DESLAURIERS: We would not be opposed
18 to anything which would eliminate unfair competi-
19 tion and put the Canadian shipowner on a competi-
20 tive basis.

21 MR. GERIN-LAJOIE: That is all I have, Mr.
22 Chairman.

23 THE CHAIRMAN: Other questions?

24 ---The witness withdrew.

25
26
27
28 MR. MUNDELL: Mr. Chairman, the next
29 brief is that of the Canadian Pulp and Paper
30



Association represented by Mr. R.M. Fowler.

SUBMISSION OF THE CANADIAN PULP AND PAPER
ASSOCIATION

---Represented by Mr. R.M. Fowler, and Mr. G.S.
Pincott.

MR. MUNDELL: Q. Could you indicate to the
Commission your office, Mr. Fowler?

A. Yes. Mr. Chairman and gentlemen, I
have with me Mr. G.S. Pincott, who is in the Canadian
Pulp and Paper Association with me. I am the
President of the Canadian Pulp and Paper Association.

I understand, sir, the brief has been before
you and you do not want me to read it in detail,
but perhaps I should summarize it.

MR. MUNDELL: I beg your pardon. I should
have said that this is brief No. 71, Volume 2.

MR. FOWLER: Mr. Chairman, I should say at
once that I am not a traffic or transportation ex-
pert. However, the whole subject of transportation
and traffic is becoming of increasing interest and
importance to the pulp and paper industry.

In the first paragraph of the brief there
is a statement as to the nature of the Association
itself. Our membership covers about 97 percent
of all pulp and paper manufacturers in Canada, and
it varies in size of company and nature of products
and in the nature of their geographical location.
With such a diverse group as this, there are un-
doubtedly differing opinions and different degrees



1 of interest on many of the particular subjects that
2 are referred to this Commission, but there are some
3 facts and opinions of a general nature concerning
4 the pulp and paper industry which may be of some
5 value to the Commission in its work.

6 Going on to paragraph 3, there are some facts
7 concerning the present pulp and paper industry of
8 Canada to which I would like to refer. One obvious
9 fact is that it is predominantly an export industry.
10 The gross value of its production today is about a
11 billion and a quarter dollars per year, of which
12 over 75 percent is export. That is something be-
13 tween \$900 million and \$1 billion a year is
14 export.

15 At present those exports are largely made up
16 of newsprint and pulps, but there are quantities of
17 fine papers and paper board and other commodities
18 which do go to export markets, and if there is an
19 easing of tariff restrictions and monetary diffi-
20 culties in other countries, the volume of that other
21 traffic could very well increase greatly. But at
22 the present time as we see it today present ex-
23 ports of pulp and paper provide about 23 percent
24 of all Canadian exports and about 34 percent of
25 all shipments to the United States. The industry
26 employs about 65,000 Canadians permanently and
27 some 150,000 other workers for seasonal woods occu-
28 pation.

29 It spends annually some \$200 million -- we
30 think it is probably a little higher than that now,



1 \$200 to \$250 million a year -- on transportation of
2 all kinds. \$100 million is spent on chemicals, \$50
3 million on fuel, some \$33 million on electricity.
4 And there are other figures given in the brief. One
5 of those figures is \$200 million in taxes and other
6 payments to Governments. Operations of this magni-
7 tude are obviously of major importance to the whole
8 Canadian economy, and the continued health and well-
9 being of this industry are clearly of vital interest
10 to all Canadians.

11 Mr. Chairman, in discussing the presentation
12 of the brief with some members of your staff, they
13 thought it might be of some value if we filed with
14 you some background statistical material not speci-
15 fically prepared for this Commission but probably
16 which your staff would find of some value. The
17 documents I have in mind are: first, an annual
18 publication, "Reference Tables", which is brought
19 out in March of each year and which contains all the
20 current statistical material on the industry.

21 MR. MUNDELL: Possibly we should mark this
22 as an exhibit. Exhibit 87. It is entitled,
23 "Reference Tables, March 1955, Canadian Pulp and
24 Paper Association."

25 A. That is the complete statistical
26 item. There is one other which, in case your staff
27 are weary, is a sort of quick summary of some of
28 the basic statistics.

29 MR. MUNDELL: You shouldn't assume that
30 in the open.



1 THE CHAIRMAN: It may be an exhibit with the
2 other.

3 MR. MUNDELL: It is entitled, "Quick facts
4 on the Pulp and Paper Industry".

5 ---EXHIBIT NO. 87: "Reference Tables, March 1955,
6 Canadian Pulp and Paper Assoc-
7 iation", and "Quick Facts on
the Pulp and Paper Industry".

8 MR. FOWLER: There are two others. One is
9 describing the woods operation of the industry, and
10 the other the mill operation of the industry.

11 MR. MUNDELL: These are two pamphlets. One
12 is entitled, "The Pulpwood Harvest". The other is,
13 "From Watershed to Watermark". Those two documents
14 should be the next exhibit.

15 THE CHAIRMAN: Exhibit 88.

16 ---EXHIBIT NO. 88: Two pamphlets entitled "The Pulp-
17 wood Harvest" and "From Water-
18 shed to Watermark".

19 MR. FOWLER: I did mention, Mr. Chairman,
20 that about \$200 to \$250 million per year went into
21 the transportation bill of this industry. I do
22 regret the fact that neither in the Dominion Bureau
23 of Statistics nor in our own statistics have we
24 got the kind of breakdown in our transportation
25 figures that we would like to have, and we are
26 trying to get that now. There is some breakdown
27 that we can give you in at least approximate terms
28 of the tonnage movement by percentages. In
29 rough terms, of this \$200 to \$250 million bill,
30 by tonnage about 65 percent to 70 percent moves by



1 rail; about 25 to 28 percent moves by water; 5 to 6
2 or 7 percent moves by truck. The figures which we
3 do have for the last three years, that is 1952 and
4 1953, both of those years fairly definitely, and only
5 preliminary figures for 1954, and that may be much
6 too short a sample, seem to indicate that rail trans-
7 port is sliding off in percentage from about 70
8 percent in 1952 to 65.8 percent in 1953, to 64.6
9 percent in 1954 preliminary. Water is increasing
10 from 24.4 percent in 1952 to 27.9 percent in 1953,
11 to about the same in 1954, 27.8 percent. Truck is
12 slightly increasing from 5.6 percent in 1952 to 6.3
13 percent in 1953 and 7.6 percent in 1954 in the pre-
14 liminary figures.

15 I must emphasize that those water figures are
16 all-water transport and they are not broken down into
17 coasting trade and international or trans-oceanic.

18 Having mentioned something of the present
19 size of the industry, in the next paragraph in the
20 brief we go on to say something about what the future
21 may be. After all, you gentlemen are not going to
22 be conducting an inquiry such as this every year.
23 At least, I assume you hope you are not. It is,
24 I suggest, important to avoid judging this industry
25 entirely on its present scale of operations, sub-
26 stantial though they are. There is no doubt that
27 this is a rapidly growing industry and there is
28 every reason to believe that the expansion that
29 has been going on since 1945 can continue over the
30 next decade and beyond. The actual growth in the



1 last ten years has been an investment of \$720 millions
2 and about \$500 millions on maintenance and repairs
3 in that ten-year period, which is just about equiva-
4 lent to the total value of the industry in 1945.

5 The volume of production of the industry is 70 per-
6 cent larger than it was in 1945. In terms of
7 capital invested, it is 60 percent larger. There
8 is every reason to believe that a similar growth
9 is possible in the next decade. The reason for it
10 is the fact that the demands of the world for pulp
11 and paper products are growing even faster than
12 the percentage growth of population because literacy
13 is increasing and economic advances are taking
14 place. At the present time tropical hardwoods and
15 other fibre sources are not proved up as raw materials
16 for large-scale production. Russia has certainly
17 large forest reserves, but apart from those, the
18 forest reserves of North America provide the princi-
19 pal basis for the expansion of pulp and paper pro-
20 duction, and it is being done by industries ex-
21 perience in manufacture and geographically situated
22 to meet world demands. The Canadian industry is,
23 subject only to one qualification, well able,
24 through its raw material reserves, adequate power
25 resources and its manufacturing experience, to
26 supply a substantial part of the world demand for
27 pulp and paper. The one qualification is whether
28 or not the Canadian industry can keep its costs
29 competitive with those of other world producers.

30 In the past the Canadian producers have had



1 some cost advantages -- particularly for such mass-
2 produced commodities as newsprint and pulps. We
3 had nearby forests that provided lower pulpwood costs.
4 Labour rates were somewhat lower than those in the
5 United States. Relatively cheaper power was avail-
6 able. And the great expansion of the Canadian in-
7 dustry was at a time when mills could introduce the
8 technological advantages of high-speed mass-production.
9 But now those cost advantages in world competition
10 have virtually disappeared.

11 Taking them one after another, we have had
12 to go farther afield for our wood. The cost, there-
13 fore, of the wood has risen. Such costs are well
14 in advance now of costs, for instance, in the Southern
15 United States. Labour rates in general, with the
16 same unions generally in both countries, have
17 approached and, in some cases, gone beyond parity,
18 I am told, but certainly parity is a fair shot at
19 what the labour comparison is.

20 There are other new power sources. I think
21 we still have some power advantages, but new natural
22 gas and other power sources are available. And
23 they have just the same advantages of mass-production
24 and high-speed as we have. So that this Canadian
25 industry which has always been conscious of costs
26 must now enter world markets with few of its tra-
27 ditional cost advantages. To maintain its present
28 volume of production and to claim a share of the
29 larger new demand that will be made for pulp and
30 paper products throughout the world, this pulp and



1 paper industry must find ways of keeping its costs
2 from rising and cutting its costs, if it can.

3 In this competitive race transportation costs
4 are now emerging as the most serious single cost
5 facing the Canadian industry. Such costs are the
6 second largest element of cost behind wages. They
7 have always been a competitive disadvantage for
8 Canadian mills, which at one time could be offset by
9 the other advantages. However, it seems to us that
10 the disadvantage from higher transportation costs is
11 now assuming some vital importance and the industry
12 must take a lively interest in any new development
13 which might reduce transportation costs, and equally,
14 in any proposals which might add to the presently
15 high costs for the movement of incoming raw materials
16 and outgoing products.

17 Now, with the St. Lawrence Seaway we just do
18 not know what its potential is, but we suspect that
19 the potential is a large one. It should permit a
20 wider range for the supply of raw materials for this
21 industry, particularly the bulk raw materials like
22 pulpwood, coal and sulphur. It should facilitate
23 the movement of finished goods to Canadian and
24 American destinations. It should do another thing
25 that might be of great value, which would be to
26 render overseas markets accessible to many mills in
27 Canada that have hitherto been confined to North
28 American markets. I am thinking of mills at the
29 head of the Great Lakes and Northern Ontario and
30 so forth. They have traditionally dealt in the



1 centre of the Continent -- for obvious reasons. With
2 the St. Lawrence Seaway those mills should be able
3 to enter into world trade. But the realization of
4 these potential advantages will depend on the regu-
5 lations and rates applicable to the movement of
6 goods in the Seaway System. If the rates are arti-
7 ficially high, the advantages will never be attained
8 and the investment of hundreds of millions of
9 Canadian dollars will be largely unproductive. If
10 only as substantial taxpayers, Canadian pulp and
11 paper companies must take an interest in seeing
12 that the Seaway investment produces sound results.

13 THE CHAIRMAN: Are you referring to tolls
14 now?

15 A. I am referring to tolls.

16 THE CHAIRMAN: That is not within our scope.

17 A. I realize, sir, some of this may be
18 outside of your terms of reference, but I am ---

19 THE CHAIRMAN: There is an interest being
20 taken in tolls but it is not being done by us.

21 A. I am making a general point, Mr.
22 Chairman, that unless the Seaway producers lower
23 transportation costs for Canadian shippers, there
24 can be little justification for the expenditure
25 of such large sums of money.

26 THE CHAIRMAN: Well, we have had the
27 assurance on several occasions that if there is
28 restriction, nonetheless there will be a major
29 reduction in the cost of carrying bulk cargo in
30 the Great Lakes.



1 A. That, sir, I hadn't known. It is not
2 something on which I can make any comment of any
3 value.

4 In Section 8 of the brief we make the point
5 that actually the major movement of commodities in
6 international trade is newsprint and pulps which en-
7 counter no tariff barriers. We think it is unlikely
8 that other pulp and paper products will ever material-
9 ly contribute to Canada's export trade until they
10 are admitted duty-free in other countries. As an
11 international trader, therefore, this industry is
12 a free trader and must face the competition of pro-
13 ducers in other countries in open markets. Unless
14 it has some other competitive advantages, it cannot
15 afford to sell in an open market and buy in a pro-
16 tected one.

17 The next section of the brief deals with the
18 United Kingdom market which has come up from time
19 to time in your deliberations. On this particular
20 point it might be of interest to know that in 1954
21 Great Britain took 38 percent of our overseas
22 newsprint exports, and this year the proportion is
23 likely to be substantially higher. Britain took
24 over 53 percent in 1954 of our overseas pulp ex-
25 ports.

26 THE CHAIRMAN: That is only overseas?

27 A. Yes, sir, that is only overseas.

28 THE CHAIRMAN: The great bulk of your ex-
29 port is still to the United States of America?

30 A. Well, the actual amounts are



substantial. I think certainly the export to the United States of America runs $1\frac{1}{2}$ to 2 million tons of pulp alone. The order of magnitude in the case of the United Kingdom is about 350,000 tons. Similarly, on newsprint -- I'm sorry, I gave you the newsprint figure; the actual figure for pulp was about 300,000. So it is about 20 percent or a fifth of the amount. In newsprint, as you know, the exports to the United States are about 6 million tons a year. The exports currently to the United Kingdom are about $1\frac{1}{4}$ million tons a year. However, it is fair to point out that the pre-war total of newsprint exports to the United Kingdom has not yet been attained because of the continuing wartime restrictions and currency difficulties insofar as the United Kingdom is concerned, and therefore, this is not really a full measure of what the potential is. Our belief is that the United Kingdom will in the next decade be a growing market for Canadian pulp and paper products.

THE CHAIRMAN: Are you quoting your own statistics or Dominion Bureau of Statistics?

A. I think I am quoting our own statistics when they are most recent, but it is a case of the two becoming the same thing practically, Mr. Chairman.

THE CHAIRMAN: I was about to ask you as to that. Is Bowater a member of your Association?

A. Yes. Even for the 2 percent of the production which is not in the Association we get



1 their figures anyway. So our figures come to the
2 same thing. I think the only difference between the
3 D.B.S. and our own figures would be matters of the
4 time at which they are taken -- goods in transit
5 and that kind of thing. We do make the point about
6 the United Kingdom as a growing market for pulp and
7 paper products. It is a point that has been made
8 before this morning, that it can only be maintained
9 and expanded if the United Kingdom has the dollars
10 to purchase Canadian goods. To the extent that
11 the United Kingdom's dollar earnings are dependent
12 on its shipping and shipbuilding industries, Canadian
13 pulp and paper exporters must be concerned over
14 any restrictions on these industries which would
15 reduce their dollar earning capacity.

16 Now, as I said a moment ago, Mr. Chairman,
17 I realize that these general considerations may
18 range farther than the particular interests of the
19 Commission in the coasting trade of Canada. As I
20 read it, your terms of reference do not include the
21 rates on international movement of goods, but we
22 are concerned about the inductive effect of rates
23 for coastal shipping on international rates. If
24 restrictive regulations on coastal traffic drive
25 up rates on movements between two Canadian ports,
26 we feel there is danger that rates on internat-
27 ional traffic will be affected. If the principle
28 of restricted competition is accepted today for
29 traffic between Montreal and Fort William, it is
30 difficult to see how it can be resisted tomorrow



1 on traffic between Montreal and Duluth.

2 I did mention before that we have not got
3 statistics of the present volume of traffic, but I
4 do think there is some evidence that the percentage
5 of total shipments of pulp and paper products by
6 water has been increasing, and a reasonable expecta-
7 tion is that the Seaway will accent this trend.

8 The present movement of pulpwood, coal and sulphur
9 and the smaller movement of pulp and paper products
10 from one Canadian port to another, we do not think
11 provides -- even if we had the statistics -- any
12 yardstick as to what might be moved when the Seaway
13 is completed. This production is growing. The
14 next twenty-five years is going to see, I believe,
15 a much larger industry. That industry will need
16 to reach out farther for its pulpwood, will need more
17 coal and more sulphur. As the Canadian population
18 increases there will be larger movements of finished
19 products to Canadian destinations, which will be
20 a potential direct coastal trade. The way in which
21 this increased volume of both in-bound and out-
22 bound traffic moves will be determined by the competi-
23 tive relations between the rates charges by coasting
24 vessels and those of other means of transportation.
25 We cannot speculate on the results of any given
26 level of rates. All that can be said is that
27 there is in this industry a substantial present
28 volume of traffic and a much greater potential vol-
29 ume likely to develop. The maintenance of the
30 present level and the acquisition of new traffic



1 will depend on the rates that will apply because a
2 pulp and paper company must choose the cheapest
3 method of moving its in-bound and out-bound freight.

4 We have some concern about the possibility of
5 a further induced effect on transportation rates
6 should restrictions on coastal shipping result in
7 higher rates, namely the possibility of higher rail
8 rates where these are now competitive with existing
9 water rates. However, if, as you say, Mr. Chairman,
10 there are going to be still lower rates, that possi-
11 bility would not apply. It is a question as to
12 what point the pressure of lower rates comes to bear.

13 In section 12 of the brief we do say that
14 we cannot, as one industry, form a judgment which
15 is really the province of this Commission, as to the
16 national considerations involved in maintaining a
17 Canadian shipping and shipbuilding industry. As
18 large shippers of goods, it is important to this
19 industry that Canada should not be entirely depen-
20 dent on foreign ships and foreign shipbuilders, es-
21 pecially in the event of war. There is a good
22 deal of evidence, we believe, that Canadian ship-
23 owners and builders are under disadvantages in
24 competition with ships of foreign registry and
25 shipbuilders in other countries. We suspect you
26 will get those national disadvantages fully pre-
27 sented to you by people who know them better than
28 we do.

29 We have one sort of repeating theme in this
30 brief, and that is that the present and the past



are no reliable yardsticks for the future. One
1 difficulty in assessing relative advantages and dis-
2 advantages lies in the fact that the nature and
3 form of coastal shipping in Canada is likely to under-
4 go major changes when the Seaway is in operation.
5 The use of coastal shipping services by the pulp
6 and paper companies will be altered, and probably
7 much increased, but the amount of the increase must,
8 at present, be conjectural. We suspect that the
9 same kind of uncertainty surrounds other users and,
10 therefore, the total effect on the coastal shipping
11 and shipbuilding industries is largely speculative.
12 The nature and effect of the Seaway on the coasting
13 trade and shipbuilding industries and the volume
14 of new business they will be able to capture will
15 undoubtedly be greatly influenced by the regulations
16 and rates applicable to traffic on the new Seaway.
17 It may be that the new volume of traffic that will
18 be offered will justify rates which would not be
19 adequate for only present volumes of traffic. Simi-
20 larly it may be that Canadian shipbuilding and re-
21 pair and maintenance facilities will be able to
22 obtain an important volume of business for the con-
23 struction and maintenance of the new fleet of
24 vessels that will service the Seaway. It is sug-
25 gested, in the midst of these uncertainties as
26 to the future, that any drastic action should be
27 postponed until experience has demonstrated that
28 the Canadian shipping industry is being injured
29 unduly, and that it is unable to meet the competition.
30



1 The pulp and paper industry of Canada can
2 only say that if it is in fact a legitimate national
3 objective to have a Canadian shipping industry and
4 a Canadian shipbuilding industry and if, further,
5 it appears that these require some form of assistance,
6 it should be attained by a national effort and at
7 national cost. However much one may regret the
8 necessity of new or increased Government subsidies
9 in the Canadian economy, it is better that they should
10 be provided openly out of general tax revenues than
11 hidden in artificially high rates paid by the ship-
12 pers. In fact, the latter subsidy is paid by the
13 purchasers of Canadian goods, and for a country as
14 dependent as Canada upon international trade, such
15 a policy defeats itself.

16 That is all, Mr. Chairman.

17 MR. MUNDELL: Q. On the very last point that
18 you raise, Mr. Fowler, is it correct to say that
19 the price in the world market of newsprint is
20 fixed in relation to your costs, or is it fixed
21 competitively abroad?

22 A. Well, it is undoubtedly fixed com-
23 petitively, but because of the fact that 55 per-
24 cent to 58 percent of all newsprint in the world
25 is produced in Canada, undoubtedly Canadian costs
26 have a great deal of effect on the world price
27 of newsprint.

28 Q. I was thinking of the argument that
29 has been put up by the Western farmer, that the
30 price of his product is not fixed by his costs



1 at all, but by the effect of the costs in the world
2 market and any effect upwards goes out of his pocket
3 and any effect downwards goes into his pocket.

4 A. I don't think it is exactly the same.
5 I think the costs which have been creeping steadily
6 upwards in this industry, transportation being one
7 of them, are such a big factor that I do think
8 costs in Canada do affect the world price.

9 Q. Is there a list of your members there
10 in the material filed?

11 A. No. I can send that in, if you wish.

12 Q. That would be helpful. Can you say
13 if any of your members own and operate vessels of
14 their own?

15 A. I believe some of them do, either
16 directly or through wholly-owned subsidiary com-
17 panies.

18 Q. Would it be too much to ask if this
19 can be made available to the Commission?

20 A. I am not sure if I have the informa-
21 tion available. I might be able to get it for
22 you. It depends to some extent on the question of
23 time, as to when you want it.

24 Q. I think it would be helpful if we
25 had information as to the vessels owned and the
26 vessels chartered.

27 THE CHAIRMAN: We have had one already.

28 MR. FOWLER: Yes, I believe you had one
29 last week. There are others.

30 MR. MUNDELL: Q. Would it be possible



to circularize the members for that?

A. Yes.

Q. We can probably work out the questions.

A. If you will let us know what you want, we will try to get it for you. There is no secret about it. It is a question of not having it on hand. I can get that information for you, I believe.

Q. Thank you very much. Then I understood you to say that you could not give, or rather that you did not have available, and probably cannot compute, the percentage of the water-carrying that is coasting and the percentage international.

A. Yes. We tried every way to do that. We could not get it either from the records of D.B.S. or from any of our own records.

Q. Would it be possible to take a typical company, do you think, within each region? Or would it represent anything?

A. I don't think it would represent anything. I don't think there is a typical company in this area because they are all quite different and you would really need to make a detailed analysis of the practice, and the practice even within one company would change from year to year.

Q. There would be no way of relating the costs of transportation by water in Canada to the newsprint cost as a percentage or anything of that sort?

A. We played around with a lot of these things in preparing the brief, and we could hit



1 on nothing that looked as though it was going to
2 be helpful.

3 COMMISSIONER WICKWIRE: Well, Bowater and
4 Mersey's, nearly all of their products would go by
5 ship?

6 A. That's right. In fact, I would say all
7 of it for practical purposes.

8 MR. MUNDELL: Q. On the other hand, they
9 do ship their product in the coastal trade of New-
10 foundland.

11 A. Yes, and the ships that carry Bowater's
12 pulp and newsprint would presumably, if they are
13 British ships, be engaged in the coasting trade on
14 other accounts, and that might influence the rate
15 they charge on newspaper and pulp movements.

16 COMMISSIONER BELANGER: Would it be fair
17 to say that very little coasting trade in the pulp
18 and paper industry is done by British bottoms?

19 A. I would suspect very little -- rela-
20 tively little. I think, for instance, the pulpwood
21 movement in is almost entirely domestic -- perhaps
22 company-owned -- boats in many cases. Obviously
23 the other large item of sulphur, it is not coasting
24 trade. In the case of coal, there is some coas-
25 ting trade, particularly from the Nova Scotia and
26 New Brunswick mines. So that on the mass in-bound
27 goods there would not be much except on Canadian
28 coasting vessels.

29 COMMISSIONER BELANGER: So that out of the
30 20 percent carried by water, there is very little



in the coasting trade carried by British bottoms?

A. I would think so, yes, sir. I do believe there is some carrying done by British bottoms from Newfoundland and, possibly, from Nova Scotia.

MR. MUNDELL: Q. Well, any restriction then would really not be terribly significant as to the way the industry now operates?

A. I don't think it would be directly so. We are more concerned about the restrictions raising general costs across the field, across the board, which would have an inductive effect on the international rates.

THE CHAIRMAN: There is another element. It has been suggested by the railways that if the Seaway results in a large reduction of their freight revenue, then they are going to have to turn elsewhere.

A. That's right.

THE CHAIRMAN: To get their revenue increased. And they might very well turn to such a form of transportation as the pulp and paper industry's.

A. Yes. We believe the present Canadian rates on the railways are substantially higher than equivalent rates on the United States railways. I think the gradual decline in the rail rates, in the rail volume rather, and the increase in the water-and-truck volume really date back to the general rail strike in 1951 or 1952. The companies have been looking themselves for other



possible places where they could move their goods.

MR. MUNDELL: As I understood you, Mr. Chairman, it was that a reduction on the one hand would not necessarily bring about an equal decrease on the other. Consequently, restrictions might not necessarily damage your industry at all, Mr. Fowler?

A. That may be.

COMMISSIONER BELANGER: It may be the other way around.

A. Well, that is not an argument which we would feel happy about putting forward.

MR. MUNDELL: Q. I would put it this way: Would it be fair to say that you are not in the position as an industry to put forward figures that will demonstrate that you are losing business if there are restrictions?

A. No.

Q. But you have a hunch?

A. Our feeling is that restrictions are likely to be expensive, and if they are going to be expensive to Canada, they will probably be expensive to us.

Q. Coming to the other, as I understand it, the main argument, correct me if I am wrong, has your industry been able to work out the significance of the dollar earnings of the United Kingdom in the coasting trade? It would be very helpful if we had some information along that line.

A. I am sure we haven't got it. We haven't been able to do it. I think we are in



1 the position of the man in the street who thinks
2 that Britain has always been a very large carrier
3 of goods, that the shipping and shipbuilding
4 interests have always been important to the United
5 Kingdom, and this is one of the ways in which they
6 have earned dollars in order to buy Canadian goods.

7 Q. I should have mentioned earlier, by
8 the way, as you probably know very well as a result
9 of past experience, the position of counsel on a
10 Royal Commission is pretty much that of the Devil's
11 Advocate. We try to maintain an equality of
12 hostility.

13 A. I understand.

14 Q. We haven't got so far any definite
15 figures on the problem of dollar earnings the United
16 Kingdom derives out of the coasting trade, although
17 it is an argument which has been put forward.

18 A. As I say, sir, we have no figure as
19 to the amounts that they earn. We suspect it is
20 substantial because this is one of their ---

21 Q. Then there is the alternative, or
22 rather the counterbalancing argument that is put
23 forward that the United Kingdom gets sufficient
24 sterling out of Canadian vessels, which she re-
25 ceives in dollars, which offsets any losses the
26 other way. However, am I correct that those are
27 the two main arguments?

28 A. I think that is correct, yes.

29 Q. Thank you very much, Mr. Fowler.

30 MR. GERITY: I represent some of the Great



1 Lakes owners and I am interested in paragraph 7 of
2 your submission. You deal with great quantities
3 of basic raw materials such as coal, wood and sulphur.

4 A. That is right.

5 Q. If we had a Seaway, do you suggest
6 mills in Newfoundland and Nova Scotia are going to
7 get coal, pulpwood or sulphur from the Great Lakes?

8 A. No.

9 Q. Do you suggest mills in the Upper
10 Great Lakes are going to get any of those commodities
11 from below Montreal?

12 A. Yes.

13 Q. You think they would?

14 A. Yes, I do.

15 Q. Why would you say a paper mill in
16 Lake Superior would go for sulphur down the coast?

17 A. The reason I think they will is that
18 they do now.

19 Q. Where do those mills get the bulk of
20 their sulphur from at the present time?

21 A. Texas.

22 Q. Shipped where?

23 A. I think a good deal of it comes by
24 rail. Some of it comes by ship to Eastern ports
25 at the moment. The great mass of sulphur -- and
26 sulphur is a very large commodity -- comes from
27 the Texas companies and, generally speaking, by
28 water, if possible. Pre-war it was mainly by
29 water. Pulpwood is now shipped from the Lower St.
30 Lawrence into Ontario mills. My personal belief



1 is that there will be larger and farther reaching out
2 for pulpwood as the industry grows, and if you have
3 a large waterway running through the centre of
4 the Continent, undoubtedly there will be movement
5 of pulpwood and so forth through that Seaway.

6 Q. I gathered from one of your members
7 who was here last week that in the St. Lawrence area
8 at least they required small shallow-draught vessels
9 in order to lift pulpwood.

10 A. I think that is right.

11 Q. So the size of the Seaway would not
12 determine the size of the vessels carrying pulpwood?

13 A. Well, there are a lot of changes going
14 on at the moment in the whole handling of wood
15 mechanically and in other ways. I do not think that
16 the present method of using a team and a sleigh is
17 likely to continue much longer in the bush, and I
18 think it is going to be changed on the river too.

19 Q. Well, if I gather this correctly,
20 sulphur is one item that certainly might be shipped?

21 A. And pulp. And, for all I know,
22 coal. I don't know too much about the coal move-
23 ment.

24 Q. And despite the increases in cost
25 I gather that your investment has just about
26 doubled itself in the past ten years?

27 A. That is correct.

28 Q. Bowater, for instance, recently
29 built a very large mill in Tennessee. Isn't
30 that one of the factors of competition you have to



1 face? As I understand it, formerly the chemists
2 could not solve the difficulties involved with
3 Southern pine.

4 A. That is undoubtedly right. The other
5 side of that coin is the growth of population and
6 industry in the South which makes the South a much
7 better market, and obviously if you can make news-
8 print out of Southern pine and you have a market
9 right at hand, the best thing to do is to make it
10 there.

11 Q. You couldn't do that some years ago?

12 A. No.

13 Q. You couldn't use Southern pine?

14 A. No.

15 MR. ARTHUR SIMARD: Q. I am Arthur Simard,
16 Marine Industries Limited, Sorel. In section 12
17 of your brief you suggest a policy of "Waiting and
18 Seeing". Well, are we going to let the other
19 countries build a fleet especially designed for
20 the new Seaway based on the actual Canada Shipping
21 Act, or would it not be better to warn them and
22 tell them not to go into those types of investments?
23 Don't you think that sort of situation would be
24 easier to deal with today than it would in five
25 years from now when the Seaway is completed and
26 all countries with British protection would have
27 fleets and would want to be operating on the Sea-
28 way, and we then told them to get out?

29 A. Yes. I think, Mr. Simard, in the
30 first place I don't know whether there are special



types of vessels that will be built for the Seaway.

You know much more about that than I do. Certainly, I suppose we have some obligation in international relations not to mislead people, but that is about all I can say in answer to your question.

THE CHAIRMAN: That is only one part of it. In addition, the wait-and-see argument would not be very telling if in the waiting and seeing the industry is wiped out.

A. Of course. Our only point, I think, in paragraph 12, Mr. Chairman, was to emphasize the fact that we will be dealing with a different set of circumstances than we have had in the past.

COMMISSIONER WICKWIRE: Mr. Fowler, can you furnish us with figures showing what proportion of the coal used in your industry is moved by coastal shipping?

A. We haven't that figure available at the moment. We will see if we can get it.

COMMISSIONER WICKWIRE: Can it be furnished?

A. We will try.

COMMISSIONER WICKWIRE: And the sources from which the coal comes.

A. Yes. I will just have to see if these figures are available. If they are, I will be glad to get them, sir.

MR. MUNDELL: Thank you very much, Mr. Fowler.

---The witness withdrew.

---The hearing adjourned at 12.30 P.M. until 2.30 P.M.



C.

11/55 1

---On resuming at 2.30 P.M.:

THE CHAIRMAN: Yes, Mr. Mundell?

MR. MUNDELL: Dominion Marine Association, Mr. Chairman, have a further submission to make arising in part out of inquiries made in Ottawa and some additional material. I understand Mr. Gerity is appearing for the Association.

THE CHAIRMAN: Yes, Mr. Gerity?

SUBMISSION OF THE DOMINION MARINE ASSOCIATION

---Mr. F.O. Gerity, Counsel for D.M.A.

MR. GERITY: Mr. Chairman, if it please you and the members, there are a few preliminary matters which consist in answers to various queries directed to me by your counsel, and with your permission I would simply answer those questions at once rather than to do it after the witnesses appear, as it may interfere with their cross-examination.

THE CHAIRMAN: All right.

MR. GERITY: I was asked, Mr. Chairman, what price we were paid for holding grain cargoes in wintertime storage, and the common contract price has been 3¢ per bushel for the period, whatever it may be.

In other words, whether the goods are unloaded in December January or February, 3¢ is paid for the total number.

At the present time, for example, we have



four large vessels secured alongside at Prescott waiting to discharge cargoes when space can be found, and they are being paid 1/35¢ per bushel per day by special arrangement, since there is no elevator space at the present time.

MR. MUNDELL: Can we have that figure again?

MR. GERITY: 1/35¢ per day.

We will compile and forward to the Commission, Mr. Chairman, a computation of distances and average steaming times for Great Lakes and the figure I was given this morning for a round-trip passage from the Lakehead to Montreal, using the Seaway, at about 14 miles per hour would be just about 14 days. It might be done in 12, but the Welland Canal poses some problems and is a factor we cannot at the present time calculate.

THE CHAIRMAN: Using the Seaway as it exists?

MR. GERITY: As constructed, yes.

THE CHAIRMAN: At 14 miles per hour?

MR. GERITY: Yes, at about 14 miles an hour.

We think we can do it in 14 days with ordinary despatch, that is, at the elevators.

In the package freight cargo that is moved up the Lakes by our Association vessels, there is an average of one million tons a year and 6 to 10 percent of which is of import origin. The figure varies from year to year. I think last year it was roughly 10 percent. That goes, of course, to an argument I will make in reply and will not touch upon at this time.



1 As to the similar vessels to the class we
2 use presently, trading on the Canadian coast in deep-
3 sea waters, there are two vessels, the Gypsum Queen
4 and the Gypsum Prince which carry bulk gypsum from
5 Hantsport, Nova Scotia, to United States destinations
6 on the Eastern seaboard. They are self-unloading
7 vessels, 423 feet in length, 64 feet in breadth,
8 and 31 feet 4 inches in depth.

9 THE CHAIRMAN: 461 feet ---

10 MR. GERITY: 423 by 64 by 31 feet 4 inches.
11 They carry approximately 10,350 tons. I believe
12 they are under the Panamanian flag.

13 Referring briefly, Mr. Chairman, to my supple-
14 mentary submission, Exhibit 7, at page 20, Professor
15 McDougall in his evidence referred to a ton mile
16 rate which was compared to the ocean rate at the
17 going figure in May, 1955, which was 74s. 6d. per
18 long ton, and although that figures looks compara-
19 tively good from our point of view, I would like
20 to refer briefly to the fact that the rate from
21 Montreal in 1952 varied from a high of 80s. to a
22 low of 35; in 1953 from 53s. to a low of 41; and
23 in 1954 from 75s. to 42s. 6d.; so that I think
24 ton mile comparisons are rather difficult to work
25 out except on a very long research and tabular
26 basis.

27 With reference to Exhibits 11 and 12, the
28 first of which was a compilation of the Navigation
29 Act of Australia, and the second of which was a
30 submission of law agreed upon with Commission



1 counsel; simply to clear up a point, Mr. Chairman, I
2 would like to hand a letter to your counsel. I
3 have only one copy, receiving it on Friday; which
4 explains that the provisions of the Australian law
5 are presently in force, and that only the footnote
6 in the Statute might lead one to assume it was not
7 so.

8 MR. MUNDELL: I think possibly that letter
9 should be marked as an exhibit.

10 THE CHAIRMAN: Yes.

11 MR. GERITY: It is the only copy, sir. I
12 only got it last week.

13 THE CHAIRMAN: Exhibit 89.

14 ---EXHIBIT NO. 89: Letter dated 27th September,
15 1955 from the firm of Malleson
16 Stewart & Co. to Messrs.
17 McMillan Binch et al, attention
Mr. Gerity.

18 MR. McLEOD (Secretary): Was that the exhibit
19 we were promised in Ottawa?

20 MR. GERITY: That was put in, Mr. McLeod.
21 That was Exhibit 12, the original information of
22 this law firm. I sent them a cable a week ago as
23 to what was declared and what was not in force,
24 and this is the answer to the cable.

25 MR. MUNDELL: This is a letter dated
26 September 27th, 1955 from Malleson Stewart & Co.,
27 46 Queen Street, Melbourne, Victoria, addressed
28 to Messrs. McMillan Binch Stuart Berry Dun
29 Corrigan & Howland, attention Mr. Gerity.

30 Do you wish it read?



1 THE CHAIRMAN: No, it does not need to be
2 read.

3 MR. GERITY: It is for information only. I
4 am sorry I have not had the time or opportunity to
5 make copies.

6 THE CHAIRMAN: That is all right.

7 MR. GERITY: Again, merely for information,
8 I would like to put in, although they are matters
9 of judicial notice, the Dominion Coal Board Act,
10 Chap. 86 of the Revised Statutes of Canada; Canada
11 Gazette No. 7, Part 2, dated April 13, 1955; Canada
12 Gazette No. 10, Part 2, May 26, 1954, which give
13 the necessary references to the coal subventions
14 paid to the Dominion Coal and Steel Company to equal-
15 ize the water rates to the Port of Montreal.

16 THE CHAIRMAN: The two together will be
17 Exhibit 90.

18 MR. GERITY: I refer to it merely, Mr. Chair-
19 man, again because the witness in Halifax, Mr.
20 McLanders, appeared to have no knowledge of the sub-
21 ject.

22 MR. MUNDELL: It has been suggested, Mr.
23 Chairman, that if all three of these were given
24 one exhibit number it might be confusing. Could
25 we mark them each separately as three separate
26 exhibits?

27 THE CHAIRMAN: Exhibits 90, 91 and 92.

28 MR. MUNDELL: In the order in which they
29 were presented by Mr. Gerity.
30



- 1 ---EXHIBIT NO. 90: Dominion Coal Board Act, Chap.
86 of R.S.C.
- 2 ---EXHIBIT NO. 91: Canada Gazette No. 7, Part 2,
dated April 13, 1954.
- 3 ---EXHIBIT NO. 92: Canada Gazette No. 10, Part 2,
4 dated May 26, 1954.

5 MR. GERITY: In my original submission, Mr.
6 Chairman, it was put in as brief No. 28, in appendix
7 2, page 3 we had attempted to calculate the value
8 of investment in our vessels and we used a somewhat
9 mandatory figure of \$175 per ton.

10 Since that time I have attempted to calculate
11 a better figure by looking into the insured values
12 of the fleet, projecting the figure given by the
13 witness Mr. Crate in Volume 1C at page 465, to 100
14 percent instead of 82 percent, and using the tonnage
15 we have given, which gives us a present value of
16 \$261 per gross ton; and to confirm that I consulted
17 one of the principal marine underwriters in Canada
18 and checking their own figures they find that it
19 is about \$244 per ton. So that as near as I can
20 estimate, it is safe to say, I think, that the
21 value I used originally is too low, since the owners
22 apparently regard the market value of their vessels
23 somewhat higher than the mandatory figure I
24 originally used.

25 Those are the three preliminary matters of
26 which I wished to speak, Mr. Chairman, and I have
27 here two witnesses, and with your permission I
28 would like to call the first witness.

29 MR. MUNDELL: May I be clear on one thing?
30



1 When you say 82 percent -- those are the vessels
2 owned by the members of the Association, and you
3 extrapolate that to 100 percent.

4 MR. GERITY: I will clear it up in this way.
5 The figure Mr. Crate gave in evidence was \$174,000,926
6 insured value. This research only covered 82 percent
7 of the fleet, so projecting that to 100 percent, I
8 made an additional calculation and divided it by the
9 total tonnage I represent.

10 MR. MUNDELL: Thank you very much.

11 There is a table here of typical elevator
12 charges. I do not particularly wish to make an ex-
13 hibit of it. I would hand them to counsel for re-
14 ference.

15 Mr. Bustard.

16
17 ERNEST BUSTARD, called.

18 MR. GERITY: Some questions concerning naval
19 architecture have come up before your Commission
20 and I have asked Mr. Bustard to come here to assist
21 us, because he is one of the few naval architects
22 in Canada who is not employed by, or advises, any
23 person connected with this Commission or appearing
24 before it.

25 His qualifications are that he is the
26 holder of Full Technological Certificate in Naval
27 Architecture of Sydney and Guilds of London In-
28 stitute.

29 He was Silver Medalist in Naval Architecture
30



1 and first prize in final examinations of that In-
2 stitute in 1934. He is an Associated Member of these
3 Institutions: The Institute of Naval Architects,
4 the Society of Naval Architects and Marine Engineers,
5 and the North East Coast Institution of Engineers
6 and Shipbuilders.

7 He has been 17 years with Messrs. Swan, Hunter
8 & Wigham Richardson Limited, Wallsend on Tyne, 15
9 years of which were spent in the shipyard design
10 department.

11 It may be useful to recall, Mr. Chairman,
12 that this is the company that built many of our
13 smaller Lake ships, and at the present time I think
14 building one large ship for the Iron Ore Transport
15 Company.

16 He has been a lecturer at Kings College,
17 University of Durham, which I believe is the only
18 university school in naval architecture in the United
19 Kingdom. He has been in Canada for some five -- or
20 is it eight years?

21 MR. BUSTARD: Eight years.

22 MR. GERITY: And is adviser to a Canadian
23 company not represented in this Commission in any
24 way.

25 Q. Mr. Bustard, I have only three ques-
26 tions. The first of them is that it has been
27 discussed in this Commission from time to time
28 as to what are the problems, if any, involved in
29 a shipowner ordering a large Lake vessel of the
30 type we are presently using, in the United Kingdom



1 or a North European yard and having it delivered
2 to Canada?

3 A. Well, it would depend largely on the
4 dimensions. For a ship of around 600 feet I do
5 not think there would be any problem at all. It
6 would be a matter of obtaining the permission from
7 the British Ministry of Transport to make the delivery
8 voyage.

9 THE CHAIRMAN: Q. Can you speak up?

10 A. It would be a matter of getting per-
11 mission from the British Ministry of Transport to
12 make the delivery voyage. I do not think there
13 would be any problem at all. You would have to
14 satisfy the Ministry of Transport that no undue
15 stresses would arise due to loading, and it would be
16 necessary to submit ballast arrangements, and there
17 might possibly be some protection required over the
18 large hatchways on the weather deck. Other than
19 that I do not think there would be any difficulty.

20 With a 700-foot vessel it would be a little
21 more difficult. The stresses in heavy weather
22 might be too high and it might be necessary to
23 build the ship, say, about 600 feet in length and
24 carry their prefabricating material to complete
25 the vessel in a Canadian yard. I think that is
26 a possibility, and it has been done before; in the
27 case of a similar vessel, the Renvoyle, that was
28 built for the Canada Steamship Lines by Swan,
29 Hunter.

30 This ship is considerably longer than the



1 existing lower canal locks and it was built 252 feet
2 in length, and the prefabricating sections were tied
3 on board and the ship was lengthened on delivery in
4 Canada.

5 COMMISSIONER WICKWIRE: Q. What was the
6 length of that vessel?

7 A. I am not certain exactly, but I think
8 it is about 70 feet longer than the Canal locks.
9 It is engaged in the package freight trade on the
10 Lakes, the Renvoyle.

11 MR. GERITY: Q. Mr. Bustard, take a
12 vessel of the dimensions you described, of 700 feet---

13 THE CHAIRMAN: That is a C.S.L. vessel?

14 MR. GERITY: She is one of the C.S.L. vessels,
15 Mr. Chairman.

16 Q. (continued) -- and I submit a scheme
17 to bring it out in the good weather months of the
18 summer, do you think I would have the same difficulty
19 in making a delivery voyage at that time?

20 A. It would be advisable in such a vessel
21 to take all precautions possible to avoid undue
22 stresses, but, as I say, it is a case where every
23 case would have to be treated on its merits and
24 gone into deeply. There may be some cases where
25 the delivery voyage would be possible without any
26 modification at all. In other words, it might
27 be necessary ---

28 Q. Can you speak up again?

29 A. In other words, it might be necessary
30 to restrict the length for delivery voyage and



complete the vessel on this side.

Q. There might be cases that it could be done without completing it on this side?

A. As I say, for ships around 600 feet there would not be any problem, I don't think.

Q. I would suppose in your experience you have come across delivery voyages of unusual vessels. Can you mention any examples that come to mind?

A. There are quite a large number of floating docks which are in themselves not very seaworthy types of vessels. They have been delivered from British yards to Singapore. The Singapore floating dock was 850 feet in length, 175 feet beam, and she was delivered at Singapore. There was also a very large floating dock built in the U.K. and delivered to Wellington in New Zealand, 11,000 miles.

Q. Are there any other examples of ferries or vessels of peculiar construction, dredges or things of that kind?

A. There were three train ferries built by Swan, Hunter and delivered to China. These were not ocean vessels by any standards.

Q. Mr. Bustard, coming to the second question, I do not think it is too important, but it has been mentioned from time to time to the Commission that the Great Lakes shipyards have some special skills or experience in building Lake vessels. Would you comment on that?

A. Well, in the firm with which I was



engaged in the Old Country, we built 80 vessels for the Canadian Lake trade that I know of.

THE CHAIRMAN: Q. How many did you say?

MR. GERITY: 18.

THE WITNESS: 80, and with the exception of one, to which I have already referred, they were all of the existing canal size.

MR. GERITY: I am sorry.

COMMISSIONER WICKWIRE: I am sorry, I did not get that.

MR. GERITY: The existing canal size. With the exception of one they were all of the existing canal size.

A. I do not think there would be any problem in building larger vessels in quite a number of yards in the United Kingdom having regard to the very extensive facilities.

MR. GERITY: Q. Is the design of ship a simple one, or is it a difficult one?

A. I would say it was one of the simpler designs of ships.

Q. One of the simpler designs of ships?

A. Yes.

Q. Thank you. We come to another problem, Mr. Bustard, and that is the possible competition from specially-designed ships which might be brought out here and operated possibly in the Lakes in season, and possibly outside in the winter months. They were referred to in the brief by the British Conference of Shipbuilding brief No. 25.



Now, if I were a shipbuilder and I came to you and discussed the possibilities of designing such a vessel to be used, let me say, possibly in iron ore and grain trade in season and possibly either for oil or iron ore in the ocean in the winter months; can you give us some idea of the problems involved in the construction of such a vessel with respect to its draughts and its relative carrying capacities, and the possible lengths or extremities of length?

A. Well, obviously to be competitive, a ship would have to be of the largest possible dimensions, and the limiting factors are going to be the dimensions of the Locks in the new Seaway; and there is an additional limiting factor, and that is the proposition, "Length to Depth", which you can go to on ocean vessels. At the present time on bulk carriers we are limited to a length-to-depth ratio of 14.

Q. Would you repeat that again? I do not believe everybody heard that. What is the ratio?

A. At the present time we are limited to a length-to-breadth ratio of 14. It might be possible to discuss the matter with navigation societies to exceed this by a small margin. I do not think it could be exceeded by very much.

Q. You know what it might be --

A. Having regard to its construction, I think a ship of 600 feet by 75 feet by 43 feet deep having a draught of 30 feet in salt water



would be a reasonable proposition.

Q. What might the draught be in fresh water?

A. Of course, well it could load about 20 feet if it is engaged more in fresh water, but you would have to restrict the draught due to the canal limit of 27 feet as far as the Welland ---

Q. Such a vessel, Mr. Bustard, if operated on the ocean in the winter months would be able to use its full capacity?

A. It would use its full capacity in winter.

Q. It might equal or not equal what it lost in the summer months, but that could be calculated?

A. Yes.

Q. If it were a combination oil tanker and ore-carrying vessel, are there any significant differences, if this were the type of vessel we are discussing?

A. Well, it would depend on the type of cargo you intend to carry. With an oil vessel it is pretty well necessary to use the gross volume vessel if you are going to carry lighter oils, like refined oils and oils of that nature, but for crude you could sacrifice quite a considerable amount of the volume used for other purposes, if necessary, heavier oils.

Q. If the other cargo proposed was iron ore, that would still leave adequate tank space



1 to carry some oil products?

2 A. That would work out fairly well, I
3 should imagine, because iron ore does not require
4 much storage space.

5 Q. It is what is known as tonnage cargo?

6 A. That is right.

7 Q. If you had some weeks, Mr. Bustard,
8 and were able to consult with other people in your
9 business, could you give us the possible cargo-
10 carrying capacity of such a vessel as you have des-
11 cribed?

12 A. The proposition could be worked out,
13 yes.

14 Q. Would it be a complicated thing for
15 you to undertake?

16 A. No, I don't think so. We are only
17 dealing with generalities, I take it, at this stage.

18 Q. You actually have no plans for such
19 a vessel?

20 A. No.

21 Q. You have just been giving your opinion
22 as to the possibilities?

23 A. That is right.

24 Q. If you had to sit down and work
25 out the problem, would it be difficult for you
26 to give us an estimate of its carrying capacity
27 at fresh and salt water draughts?

28 A. It would not be difficult to give
29 you a reasonable estimate of what might be ---

30 Q. So that if I had some accountants



and some information of the United Kingdom shipowners,
I may possibly work out some comparable figures?

A. That is right.

THE CHAIRMAN: You mean comparable figures
as to the cost of operation per ton mile?

MR. GERITY: Yes, per operation, Mr. Chair-
man. I mean the vessel cost with its earning capa-
city and its daily cost of operation, its capital
cost and depreciation.

MR. MUNDELL: I am sorry, I did not get the
spelling of your name.

MR. GERITY: B-u-s-t-a-r-d.

MR. MUNDELL: Q. Mr. Bustard, can you give
any extension to the Commission of the possible cargo-
carrying of such a vessel in fresh water in the
summertime in relation to what it would carry in
the wintertime? Can you extend on the rather
vague information you have given?

A. Well, I should imagine in fresh water
if a 27-foot depth of navigation is available,
a deadweight of around 18,000 tons might be possible
or probably slightly more.

THE CHAIRMAN: Q. You have a 27-foot
channel, but you can only load to 25 feet 6 inches,
is that correct?

A. That was not my understanding.

MR. MUNDELL: That is correct, 25 feet 6.

THE CHAIRMAN: Q. You cannot scrape the
ship along the bottom.

A. In that case they might be between



1 16 and 17,000 tons on such a vessel I mentioned at
2 25 - 6 and loaded outside in winter would be between
3 22 and 23,000 tons.

4 THE CHAIRMAN: Q. When you say in winter
5 that is just because it would be outside?

6 A. That is right.

7 MR. MUNDELL: Q. Ocean-going?

8 A. Yes, ocean-going.

9 Q. You mentioned the possibility of bring-
10 ing out a 700-foot ship.

11 A. Yes.

12 Q. By modification which, I understand
13 you mean removing the mid-section and bringing it
14 in?

15 A. Yes.

16 Q. Is that an expensive and complicated
17 thing?

18 A. It is not an expensive operation at
19 all. I would ---

20 Q. It would add something to the cost?

21 A. It would add a little to the cost,
22 yes.

23 Q. On a vessel, say, costing -- what
24 figures have we been taking on Lake freighters?

25 MR. GERITY: \$6 million less 55 percent
26 if you go to the United Kingdom.

27 MR. MUNDELL: Q. Say a vessel worth \$3½
28 million, what would be the ratio of cost for the
29 operation, roughly speaking, to the order?

30 A. I would say that it would be less



1 than \$100,000. I would say about 3 percent. That
2 is assuming the material is all prefabricated.

3 Q. That is, the additional operation of
4 carrying it off and putting it on here would only
5 be \$100,000?

6 A. It would be in the order of that, I
7 would say.

8 THE CHAIRMAN: Q. Of course, that ship
9 would have to stay in the Lakes.

10 A. No, sir; the locks are, I understand,
11 at 700 ---

12 Q. I do not mean the Lock capacity, but
13 the ships you speak of ---

14 A. That is right. It would be confined to
15 inland waters.

16 Q. It would not be off in the winter
17 trade?

18 A. No.

19 MR. MUNDELL: I think those are all the
20 questions I have, Mr. Chairman.

21 THE CHAIRMAN: Are there any other examiners?

22 COMMISSIONER WICKWIRE: Q. Mr. Bustard, this
23 ship, I take it, is designed to carry three types
24 of bulk cargo. One for grain and another for iron
25 ore, and in the winter it is maintained for carrying
26 oil, is that correct?

27 A. Well, I had not any particular type
28 of ship in mind, but it is a case of if anybody puts
29 up a proposition, any naval architect can show him
30 the way around his problem. There have been a



1 number of tankers used as grain carriers. I do not
2 see any reason why oil tanker holds could not be used.

3 Q. Can oil tanker holds be used for carry-
4 ing grain?

5 A. They have been used before. Tankers
6 were converted in the United Kingdom during the war
7 for the carriage of grain.

8 Q. They have been carrying grain exclusive-
9 ly. They have not been carrying grain one month and
10 carrying oil the next month, have they?

11 A. Well, no. They do have a number of
12 alterations to make. They have to put in whole ceil-
13 ings and things like that of wood over the ---

14 Q. Can you, as a naval architect, see the
15 possibility of carrying grain in one of these
16 specially-designed vessels on the Lakes for so many
17 months of the year, and then in November or December
18 sending that vessel out into the Atlantic to carry
19 ore and come back the next spring to carry grain in
20 the same tanker?

21 A. Candidly speaking, I don't think it
22 would compete with the existing tonnage in the oil
23 trade with that particular set-up.

24 Q. Would it compete with the existing
25 tonnage in the grain trade?

26 A. If it was designed for the grain
27 trade it probably could.

28 Q. In order to make that vessel competi-
29 tive it has got to carry on both trades, is that
30 not so, so that it can be employed twelve months



of the year?

A. That is right.

Q. So would it be competitive in either branch? That is the point I want something on; because it is designed to carry two different types of bulk cargo, so it is necessarily going to carry less of each, is that correct?

A. That is right.

COMMISSIONER WICKWIRE: Thank you.

THE CHAIRMAN: How would the cost of that 600-foot dual-purpose ship compare with a 600-foot Laker?

A. Well, I have not considered that question, but I can give you the answer to it possibly on a little reflection.

Q. Can you get that?

MR. GERITY: Mr. Chairman, if I may speak to the matter, Canada Steamship Lines are appearing tomorrow and I did not want to duplicate anything. I do know that they intend to address themselves to this particular subject, and it was for that reason I have not asked Mr. Lowery to appear this afternoon because I know that.

THE CHAIRMAN: Well, all right. Any further questions then?

MR. GERITY: No, sir.

THE CHAIRMAN: Thank you, Mr. Bustard.

MR. GERITY: Mr. Crate. Mr. Harold Crate, Mr. Chairman, has previously been a witness, Volume 1C commencing at page 462. He is a



1 Chartered Accountant of the firm of Thorne, Mulholland,
2 Howson & McPherson, and his qualifications were given
3 at that time, Mr. Chairman. He does a fair amount
4 of accountancy work for shipping companies and
5 has assisted me in obtaining what information might
6 be asked for in this particular inquiry.

7 THE CHAIRMAN: Yes?

8
9 HAROLD CRATE, recalled.

10 MR. GERITY: Q. As the result of your
11 previous evidence I asked you to see if you could
12 obtain figures from our members and give us some
13 computations of daily cost of operation including
14 depreciation and other factors. Have you done so?

15 A. Yes.

16 Q. And prepared a document here which
17 summarizes those matters?

18 A. That is correct.

19 Q. Now, Mr. Crate, you have this document
20 in front of you.

21 MR. MUNDELL: Would you like to mark this
22 as an exhibit?

23 MR. GERITY: If you wish.

24
25 ---EXHIBIT NO. 93: Document entitled "Dominion
26 Marine Association Schedule
of Daily Operating Costs".

27 MR. GERITY: Q. Mr. Crate, what years did
28 your inquiry embrace?

29 A. The years 1951, 1952, 1953 and 1954,
30 the operating seasons ending in those years.



1 Q. Is there any mention made in this Ex-
2 hibit 93 of any new union contract of fresh charges
3 since that time?

4 A. Yes, one of the footnotes, No. 4, re-
5 fers to the fact that:

6 "The above operating costs which reflect
7 "operations for a four-year period do not
8 "give full effect to the revised union
9 "contracts and increases in the wages of un-
10 "licensed seamen. These contracts came
11 "into effect on September 29, 1953".

12 Q. One other point, Mr. Crate -- I think
13 it would be more convenient for everyone if you gave
14 your own descriptions -- looking at type A vs. type B,
15 one who is uninitiated might think it was cheaper to
16 operate the smaller vessel. Would you just comment
17 on that before you go on?

18 A. Perhaps in relation to the carrying
19 capacity of the vessels it may appear that the smaller
20 vessel is just about as economic as the larger one
21 on total cost, but I think that is due largely to
22 the depreciation factor. The actual operating costs
23 without depreciation reflect a better relationship,
24 and the reason I think that the depreciation is not
25 consistent in that respect is that the vessel is
26 considerably older and we have used an estimated
27 market value for depreciation rather than replace-
28 ment cost that it might be at the moment. Also
29 it is influenced by the fact that the smaller
30 type of vessel had a larger number of operating



1 days in the four-year period which tends to reduce
2 the cost per day.

3 Q. And of course you do show here in
4 your details that the average of the smaller vessels
5 carries 256,000 bushels as compared with the larger
6 vessels carrying 677,000.

7 A. That is correct.

8 Q. Now, would you care to explain these
9 figures, commencing with the first general para-
10 graph, Mr. Crate. What does type A represent?

11 A. Type A is derived from the average
12 results of four ships of the large new type, using
13 the actual costs sustained in these four particular
14 ships, in the years 1951, 1952, 1953 and 1954.

15 The average keel length of these ships in
16 the large type is 652 feet, the range being from 630
17 to 680. The gross tonnage range is from 12,400
18 to 13,900, averaging 12,972. The carrying capa-
19 city in wheat is an average of 677,000 tons in the
20 type A, and they were all built since the year 1950.
21 Type A average 200 days a year of operation.

22 Q. Stopping there for one second, do
23 you happen to know if there is any reason for the
24 different number of days in operation between the
25 two classes of vessel?

26 A. I don't know the reason. It is just
27 the factual ---

28 Q. It just happened that way?

29 A. It just happened that these ships
30 operated fewer average days.



1 THE CHAIRMAN: They were operating in the
2 same four years, the type B and the type A?

3 A. Well, yes, the figures are derived
4 from the same ---

5 Q. Perhaps the reason is there was not
6 enough wheat to move to justify using the big ships.

7 A. That could well be.

8 MR. GERITY: I think that is right, Mr.
9 Chairman. They have to have a large cargo to justify
10 their operation.

11 Q. Now, the daily operating costs, that is,
12 of type A.

13 A. Without considering depreciation it
14 was \$1,789 per day, and the depreciation provision
15 was \$1,289, or a total daily operating cost includ-
16 ing depreciation of \$3,078.

17 Q. Now, passing to the smaller type of
18 vessel, the average type of vessel I should say,
19 would you comment on that?

20 A. That is also based on four specimen
21 vessels, ranging in size or length from 410 to 440
22 feet, or an average length of 424 feet; an average
23 tonnage of 4,512 tons and having a wheat-carrying
24 capacity on the average of 256,000 bushels, and
25 the year built was around the turn of the century,
26 1900. The average number of days operated per
27 year was 234 days. The daily operating costs with-
28 out considering depreciation were \$1,002, and the
29 provision for depreciation based on the formula
30 I will explain later, \$260, or a total of \$1,262



per day.

1 Q. Now, what comments and explanations
2 would you like to add to it? Let us look at note
3 1, is that self-explanatory?
4

5 A. I think it is. Should I read it for
6 the ---

7 Q. Mr. Chairman, I don't wish to take up
8 the Commission's time.

9 Para. 2, is there any significant feature you would
10 like to comment on, 2(a)?

11 A. It merely gives the constituent direct
12 expenses which are included.

13 Q. And on paragraph 2(b)?

14 A. It shows the method of pro rating the
15 indirect costs to the vessels.

16 Q. And there is no more comment there?

17 A. I think not.

18 Q. And paragraph 2(c) perhaps, have you
19 anything to add there?

20 A. Well, of course, we have used the 6%
21 rate which was standard accounting practice for
22 vessels prior to the tax allowances introduced in
23 1950, but I think they can still be regarded as
24 normal accounting rates to apply. In the case of
25 type A vessels, since they were built in recent
26 years, we have applied it to their actual cost.
27 For type B we used the value of \$225 a ton for each
28 of the four vessels.

29 Q. Just pausing there, Mr. Crate, per-
30 haps I contradicted myself on the figures I gave



1 before, that that was a figure that I gave to Mr.
2 Crate before I got my final calculations from various
3 underwriters, but it is a fair enough figure.

4 THE WITNESS: We felt that it did not
5 necessarily represent replacement cost, but what
6 might be a fair market value for the tonnage if it
7 were sold. Six percent per year has been provided
8 on these values in the case of type B.

9 MR. GERITY: Q. Is there any other comment
10 to be made on this page, Mr. Crate?

11 A. Well, no provision has been made for
12 interest on investment or funded debt, because some
13 of the companies financed by means of equity capital
14 and others by means of borrowed money, so we left
15 the interest calculation out of the cost figure en-
16 tirely.

17 Q. I know it is not here, Mr. Crate, but
18 did you come across anywhere in your investigations
19 what the annual return might be on the investment
20 on one of these new ships type A?

21 A. No, we made no calculation.

22 Q. You didn't go into that. Right.
23 Thank you. If those are the comments, Mr. Crate,
24 then, your witness.

25
26 MR. MUNDELL: Q. You would not have in
27 addition to the information shown on the schedule,
28 the speed of these vessels, average speed, and
29 the number of the crew?

30 A. No, I haven't got that information



1 available.

2 MR. GERITY: If I might interrupt, paragraph
3 3, Mr. Mundell, my recollection is that that direc-
4 tory gives the speed. You may remember I forwarded
5 a copy to the Commission some months ago. I am
6 pretty certain it gives the speed.

7 THE CHAIRMAN: Gave the speed of some ships.

8 MR. GERITY: I think it is included in the
9 statistics of all the ships.

10 THE CHAIRMAN: You don't know what ships they
11 were.

12 MR. GERITY: Of course that is quite true.
13 Perhaps the number of ships built since 1950 is not
14 so great.

15 THE CHAIRMAN: That is what I was puzzling
16 about. There is only gross tonnage of 12,400 to
17 13,900. Where does that fit in with the C.S.L.
18 table, for instance?

19 MR. GERITY: If I recall correctly, their
20 table is deadweight tonnage.

21 THE CHAIRMAN: Yes, that is correct.

22 MR. GERITY: I am not sure, my lord. I will
23 look. It is in deadweight tons, Mr. Chairman.

24 THE CHAIRMAN: Well, how would the percent
25 work out? What are these type A? They are not
26 really big Lakers at that, are they?

27 MR. GERITY: 652 must be fairly close to the
28 average. I mean 715 is the possible Canadian maxi-
29 mum, and I think 686 are the next biggest.

30 THE CHAIRMAN: So that type A would be four



big Lakers and the type B, what is the type B?

COMMISSIONER BELANGER: Type B is the middle Laker.

MR. GERITY: It is about the average size that is in current use. We can, of course, give you the specific names of the vessels to co-relate the directory. There is not the slightest objection to that.

Q. You have the names of the ships in your records?

A. Yes, but I undertook not to disclose.

MR. GERITY: All right, they are not on the record for the moment. We can provide the names, the dimensions of the ships, that is to say, the speeds, anything additional that is required, but the 400-foot vessel is about the average type that most of the companies -- that has about the bulk of the tonnage.

COMMISSIONER BELANGER: But this is bigger than what we call the canaller.

MR. GERITY: Yes, very much so. They will be about the size of the general run of Upper Lake vessels, possibly the bulk of the Paterson fleet, possibly the bulk of the Upper Lakes and St. Lawrence fleet.

THE CHAIRMAN: They are bigger than the ones that C.S.L. show as Lower Lake bulk freighters, the type B in this exhibit are larger than those?

MR. GERITY: I take it they must be. I



1 will check in a minute. They are smaller canal size
2 vessels, Mr. Chairman. I think the Burlington and
3 the Goderich are about typical vessels of the class
4 we have mentioned. As I have mentioned, this
5 exhibit has only deadweight tonnage.

6 THE CHAIRMAN: The Burlington and the
7 Goderich are roughly comparable to which type, type
8 B?

9 MR. GERITY: To type B. They are both ves
10 sels I know personally and I know they are about that
11 length. Apparently if you multiply by 1.5 you get
12 a rough ---

13 A. Of gross tonnage.

14 THE CHAIRMAN: I see, so 12,972 would work
15 out at about 19,000 roughly.

16 MR. GERITY: Well, the Burlington would be
17 about 12,400, I would say, which is about ---

18 MR. MUNDELL: Possibly the problem could be
19 solved by having the names made known.

20 THE CHAIRMAN: Yes, would you send us that
21 statement?

22 MR. GERITY: We will have to check the
23 names.

24 COMMISSIONER WICKWIRE: Did I understand
25 you to say they were canal-type vessels but not
26 canallers?

27 A. No.

28 MR. GERITY: No, the type of vessel we
29 have been speaking of, type B, is the large type
30 older
of an Upper Laker that has been used in the grain



1 trade prior to the coming of the big ships following
2 the building of the McArthur Locks.

3 MR. MUNDELL: As I understand it, Mr.
4 Gerity has omitted from these tables the canaller
5 as such because -- and correct me if I am wrong --
6 the view was taken that that was not relative for
7 future consideration as the composition of the fleet
8 would change, is that correct?

9 MR. GERITY: I think Capt. Misener's evidence,
10 and he owns 23 canallers, was that 80 percent of
11 them would be no use, if I recollect correctly. I
12 will look it up.

13 THE CHAIRMAN: I remember him saying it but
14 I also heard that he had bought 6.

15 MR. GERITY: What his records may be I don't
16 think would appear.

17 THE CHAIRMAN: It is not up to you to give
18 them, but I think we will have to hear them from Mr.
19 Misener some time or other.

20 MR. MUNDELL: Q. So they represent the
21 large new Upper Lakers and the older Upper Lakers,
22 is that correct?

23 A. Yes.

24 MR. MUNDELL: If we can get the names I
25 would like to get the speed and so forth of the
26 vessels and all the rest of the description.

27 Q. Then, for clarification, I under-
28 stand that you have put into these operating costs
29 for the 200 and 234 days average, the capital
30 cost in relation to the whole year, is that right?



1 A. That is correct.

2 Q. These are all the costs of operating the
3 vessel for the year divided by the number of operat-
4 ing days?

5 A. Exactly.

6 Q. Could you add to this table the cost
7 per ton mile of cargo carried?

8 A. We have not produced any figures on
9 ton mile. We did not -- at least it was the general
10 feeling that they would not be appropriate to any
11 comparisons. There was so much difficulty in ob-
12 taining them that they were omitted entirely from
13 our presentation.

14 Q. What is the difficulty? I mean, is
15 it not according to what was carried and you just
16 find out?

17 A. Well, it is characteristic, I think, of
18 the Lake traffic that no particular mile is equal
19 to any other mile. For instance, the through rate,
20 if it were 13¢ from Lakehead to Montreal, might
21 comprise 7¢ as far as Prescott and 6¢ from Prescott
22 to Montreal, and although the mileage is ten times
23 as much on one leg as it is on the other, approxi-
24 mately the same regulating cost.

25 Q. I am thinking just of the cost.

26 A. I don't think any ton mile figures
27 would be significant unless they comprised the ton
28 mile cost of the whole fleet, considering all types
29 of vessels and all types of cargoes. In order
30 to get that we would need more statistical information



1 than we are able to get from the people, for all the
2 countries do not maintain that statistical informa-
3 tion.

4 Q. You mean that C.S.L. or the shipping
5 operators do not know their ton mile cost?

6 A. Some do. They vary greatly between
7 classes of vessels. Those engaged in Upper Lake trade
8 might have a ton mile cost, for example, of 17¢.
9 Those operating through the canals might go up as high
10 as 40¢, and it is all to move grain Lakehead to sea-
11 board, so that in order to get anything that is
12 significant I think you would have to have the over-
13 all ton mile cost for all cargo.

14 Q. Yes, there are four ships in each of
15 the classes. Could you not compute the ton mile
16 cost for those four vessels in each of these classes,
17 I mean on average?

18 A. It would be possible, I believe, on
19 these particular four ships, yes.

20 MR. MUNDELL: Then I would suggest, Mr.
21 Gerity, that that is a figure that really should be
22 put before the Commission if your clients are putting
23 forward the case for protection that they will be
24 competed out of existence.

25 MR. GERITY: As far as I could understand,
26 Mr. Chairman, and I have gone into the subject at
27 some length, there must be some precise basis on
28 which one proceeds for the ton mile figures for
29 shipping which could not be significant in railroad
30 operation. Now, if I have some precise basis upon



1 which it is to be calculated I will do my best to
2 provide it, but my clients inform me that it has no
3 significance in the records that they keep.

4 MR. MUNDELL: Could the ton mile cost of
5 moving grain going by these vessels in the period of
6 time be worked out?

7 MR. GERITY: It might possibly, depending on
8 what records the companies have of it. I mean to
9 say, the Great Lakes operation has always been one
10 done on the telephone and records that are kept com-
11 pare in no way with that of ordinary steamships.
12 The charter itself is done on the floor of the Ex-
13 change by word of mouth. But if the records exist
14 and I have some specific basis upon which it is to
15 be calculated, I will endeavour to find out.

16 MR. MUNDELL: Will that be a sufficiently
17 specific basis, ton mile cost of the cargo moved by
18 the vessels in the period?

19 MR. GERITY: I will have to inquire, frankly.

20 MR. MUNDELL: Q. In your supplementary
21 submission, which I think is Exhibit 7, there were
22 certain earnings per ton mile, or I have just for-
23 gotten the exact term -- per ton mile, given on the
24 Lakes and also on the ocean-going traffic. Would
25 it be possible to get that figure also for these
26 vessels, the earnings per ton mile?

27 A. Gross freight earning?

28 Q. Yes.

29 A. Yes, I think that could be arrived
30 at for these particular four vessels.



1 MR. MUNDELL: For this period. I take it
2 the average figure would be satisfactory?

3 THE CHAIRMAN: Yes, it should be kept on
4 average. They are average now.

5 MR. MUNDELL: Q. You haven't found out that
6 figure?

7 A. No, we have not been asked to get that
8 figure.

9 Q. In connection with the depreciation
10 on type B vessels, they would be, I suppose, fully
11 depreciated by this time, wouldn't they?

12 A. Well, if they had been in the hands of
13 the original owners all this time admittedly they
14 would be. However, a lot of them have changed
15 hands since 1930 and some have an undepreciated bal-
16 ance in the books.

17 COMMISSIONER BELANGER: Could you find out on
18 these four particular ships that you have in type B
19 what is the actual depreciation?

20 A. Actual amount written off in each of
21 these four years, yes, we could get that.

22 COMMISSIONER BELANGER: We are confined
23 only to four ships. It would be easy to do it. On
24 some of those ships there might be no depreciation
25 at all, and on others there might be some if they
26 were purchased rather recently.

27 MR. MUNDELL: That is all the questions I
28 have to ask.

29 COMMISSIONER BELANGER: You cannot give
30 us the actual amount in their books or undepreciated



capital cost at the beginning of the year multiplied by 6%.

A. I believe we could get the actual amount written per year from the companies concerned in each of the four years.

Q. Also the undepreciated capital cost at the beginning of the year for each of them.

A. At the beginning of the latest year or the ---

Q. Beginning, yes.

A. At the end of the latest year.

Q. Yes, then we could put them on the 6% basis.

A. Yes.

Q. It would be on the same basis as we have with the others.

MR. GERITY: Mr. Chairman, I have not planned to call any other witnesses, but if anything occurs to the Commission between now and Toronto I would be very happy to call anyone that you decide may inform you in some particular.

THE CHAIRMAN: Thank you very much.

MR. MUNDELL: There were one or two questions that I might just amplify on the figures you gave at the start.

MR. GERITY: Oh, yes. The first one was 3¢ a bushel.

MR. MUNDELL: 1/35¢ per day.

MR. GERITY: Per diem.

MR. MUNDELL: As the rate, for example, the



1 four vessels that are tied up in Montreal.

2 MR. GERITY: No, at Prescott. I think it
3 is a general rate, but I specifically inquired about
4 these ships and I was told this morning rather early
5 it was 1/35¢. We had been discussing that four of
6 the largest ships were tied up at Prescott. It is
7 simply for holding, something to pay them for taking
8 cargoes they could not find a place to discharge.
9 It is not a usual arrangement.

10 MR. MUNDELL: You wouldn't know who pays
11 that, the Wheat Board?

12 MR. GERITY: I presume, being the one and
13 only shipper, whether by agent or not, that they do.

14 MR. MUNDELL: On the 12 to 14 days steaming
15 time, I am afraid I did not hear -- is that projected---

16 MR. GERITY: I might clarify. I at first
17 said that we could prepare a table of general steam-
18 ing times between Great Lake ports at present, and
19 on inquiring into what a round-trip through Montreal
20 might be after the canal was opened, we contemplated
21 that we had better be safe and say 14 days at 14
22 miles an hour. I believe it might be done in 12.
23 That is a projected figure for the completed Sea-
24 way.

25 THE CHAIRMAN: The 14 miles is average
26 speed including delay in your locks?

27 MR. GERITY: We simply contemplated in
28 doing a quick calculation that would be about the
29 class of vessel we might be using.

30 THE CHAIRMAN: I mean that 14 is an average



1 speed. In fact, that vessel would be going 19.

2 MR. GERITY: Of course the present fleet is
3 very much lower than 14, but the bigger vessels,
4 some would run between 14 and 16 and some of them
5 are faster, but we took 14 because one must slow
6 down in various channels and there are speed regula-
7 tions in various rivers and canals and so on. It
8 would be a 14-mile-an-hour boat, as they call it.
9 We can go into this subject a bit further, but that
10 was the quickest I could do this morning.

11 MR. MUNDELL: You said you were going to file
12 present steaming times?

13 MR. GERITY: I will.

14 MR. MUNDELL: I suppose you would not have,
15 or would you have, information corresponding to this
16 chart in relation to ocean operating costs?

17 MR. GERITY: Well, I don't act for any ocean
18 operators and I don't know where I would look for
19 it, but I can suggest there are two Federations
20 and one ^{British} company before this Commission and I think
21 they should have the information. There is no one
22 whom I can call upon who would give it to me unless
23 I asked the Economists Statistical Bureau or
24 somebody to do the work, but certainly our Associa-
25 tion have no means of obtaining figures of ocean
26 costs other than our Maritime Commission; but
27 the Canadian Ship Owners' Association is here, the
28 Shipping Federation of Canada is here, and Furness,
29 Withy, a very large concern, is before this Com-
30 mission. It would appear to me that they should



be able to supply those figures.

MR. MUNDELL: In any event, the answer to my question was you cannot.

MR. GERITY: No. I could, of course, say this, that as to ocean-going freight rates they are contained in a publication called "Fair Play" which is put out every week. I have only 52 copies and that will only carry you back one year, but it is in our possession. It is a London publication.

MR. MUNDELL: Could you give information as to the extent to which the vessels have been used for storage of grain during the winter during the past four or five years?

MR. GERITY: Well, I imagine we have records of it, but I think it is pretty safe for me to say that in the last four years we have certainly been stored to capacity, at least to my knowledge.

THE CHAIRMAN: About 9 percent, I think, was the figure before, about 9 percent of the storage was dead hold in ship.

MR. GERITY: I mistook your question. I thought you said how much of our capacity ---

MR. MUNDELL: To the extent of your capacity.

MR. GERITY: Compared to the complete elevator capacity.

MR. MUNDELL: No, just have the vessels been used excessively during the past four or five years?

MR. GERITY: To my knowledge, yes, the



1 complete fleet. In fact, I think in Port Arthur
2 one of the shipbuilders told you that he got no ship
3 repair business because of the ships let down the
4 Lakes for storage cargo.

5 MR. MUNDELL: This is the last appearance
6 of Dominion Marine Association on its own initiative
7 so to speak. There are one or two questions I
8 thought I might put on earlier exhibits to get fur-
9 ther information on them, and in your Exhibit 7,
10 Graph No. 3-1, which is the United Kingdom Chamber
11 of Shipping Index of Tramp Shipping Freights, 1929-
12 1938, on this second table, which is Graph 3-2,
13 1948-1952, you show wild fluctuations in the ocean
14 rates, but they are in no way related to the freights
15 on the Lakes. Now, in the high points and low
16 points, would the low points be below the Lake
17 freights?

18 MR. GERITY: There is a third graph in the
19 exhibit to show our rates over the entire period.
20 What is the value of the pound and all those other
21 factors that took place in the same time? I have
22 no source that can give me the comparative figures.

23 MR. MUNDELL: Would you agree that if
24 this low point in the ocean freight is above the
25 Lake freight rates, this graph was of no signifi-
26 cance?

27 MR. GERITY: No, I would not agree at all.
28 In the twenty-seven years I have been connected
29 with the shipping business I have seen people
30 driven out of business by putting one ship ahead



1 of them and one ship astern of them, taking the cargo
2 that offers before and offering another vessel be-
3 hind. Once you get strong competition in this
4 particular business you can drive whole companies
5 to the wall if you are big enough.

6 MR. MUNDELL: Can you relate this in any
7 way to the freight rates?

8 MR. GERITY: I will have to consult my
9 economic consultant. I don't know.

10 MR. MUNDELL: What I have in mind is simply
11 that in sub-Exhibit 6 in Exhibit 7 the comparison
12 of earnings, gross returns per ton with the ocean
13 rate at 74s. 6d. per long ton shows that the ocean
14 return was higher than the Lake return. I was
15 wondering at what point, if Mr. Gerity could have
16 his Association relate the ocean rates and the Lake
17 rates to get some basis of comparison.

18 MR. GERITY: Mr. Chairman, I think I may
19 say this, that those two graphs prepared by Prof.
20 McDougall were a general index of the United King-
21 dom Chamber. What the ocean rate out of Montreal
22 may or may not have been in any given time can
23 only exist in the records of shipping agents and
24 shipping companies in Montreal. It is true that
25 the offering rate is published from week to week
26 in places like "Fair Play", but for all I know
27 some companies take in a lesser rate and I know
28 of no one -- and it was Prof. McDougall's diffi-
29 culty -- who can give me a comparison of classes
30 of freight rates out of Montreal other than



people that I do not represent. That information,

again, I suggest, is within the knowledge of three of the parties who appear before this Commission.

I do not know where I might find them. The United Kingdom General Index is only a world index of tramp shipping prices indicating the fluctuations. What its general reference is to the going rate out of Montreal would be very difficult for me to say.

MR. MUNDELL: Could you have your economist consider ---

MR. GERITY: I will have him consider the question.

THE CHAIRMAN: Part of your point was that the United Kingdom shipper might be pulled out of the Great Lakes at any time by attractive ocean freights elsewhere. Now, you feel the graph would show that but you cannot tell us whether that graph represents the situation at Montreal or elsewhere. It wouldn't do very much good or harm if the ocean rates went very high in February because you would not be doing much sailing in the Lakes in February, and I suggest to you it is highly possible that the great variation does take place in the winter months and in the summer months when there is more general use -- it is a little more difficult to sail in the Atlantic and Pacific in February -- and in the summer months there is not nearly the variation apart from some extreme situation such as occurs in war.

MR. GERITY: I quite agree that the largest



1 single variations are in the winter months, but the
2 largest variations are in times of international
3 tension, something over which we have no control.
4 But the Index, I say, is the only published index
5 and I do not know from what source I can get the
6 actual rate out of Montreal which must fluctuate in
7 something the same ratio as the going tramp index.
8 I mean, it is bound to do. But the actual rates
9 that are being paid out of Montreal at one time, I
10 don't know where records exist. They are certainly
11 not in any D.B.S. statistics that I know of, but
12 most certainly the companies who carry the grain
13 ought to know.

14 THE CHAIRMAN: Yes.

15 MR. MUNDELL: As I understand it, you will
16 have your Association consider the possibility of
17 relating the rates graphed there and the normal ocean
18 rates to Lake rates?

19 MR. GERITY: We will see if that can be
20 done.

21 MR. MUNDELL: That is all I am really asking
22 you for.

23 MR. GERITY: If it can be done. Naturally
24 right before the war in the Great Lakes they were
25 very much depressed by rather murderous competi-
26 tion.

27 THE CHAIRMAN: What murderous competition
28 existed in the Great Lakes?

29 MR. GERITY: As far as I know there was a
30 great deal of it before the war, Mr. Chairman. I



1 was not here, but from what I have gathered there
2 was a great deal of acrimony and bitter feeling be-
3 tween the American and Canadian owners over rate-
4 cutting prior to the war when times were poor.

5 THE CHAIRMAN: How could the American rates
6 or American ships have any effect?

7 MR. GERITY: A good deal of the grain we
8 carry, Mr. Chairman, goes to Buffalo, for example,
9 and there must be some general connection between
10 the pattern on both sides of the Lake. Operating
11 problems are similar. I don't know of my own know-
12 ledge, of course. I merely repeat what I have
13 heard. But I will do my best.

14 THE CHAIRMAN: They are not necessarily simi-
15 lar, but as far as the coasting trade is concerned
16 there is a fleet in the centre of the Lakes. There
17 might be an effect in that the rate to Port Arthur
18 to Buffalo would affect the rate which was going to
19 be charged from Port Arthur to Port Colborne, but
20 it would also only just be in an indirect fashion,
21 because the Canadian ship could not carry in the
22 American coastal trade and the American ship could
23 not carry in the Canadian coastal trade. It is only
24 in this international ---

25 MR. GERITY: That is correct.

26 THE CHAIRMAN: Do we deliver much
27 grain? It is very good news for me if we do. I
28 don't think we deliver much grain to Buffalo.

29 MR. GERITY: Well I think in the past it
30 was more delivered to Buffalo than now. However,



I don't have factual knowledge.

1 MR. MUNDELL: The point I was really coming
2 to, Mr. Chairman, if that disposes of your discussion
3 on that point, is that the premise upon which your
4 Association puts forward these proposals is that
5 it cannot compete because its costs would be higher.
6 I suggest to you that any facts or any statistics
7 or calculations that you can make as to your costs
8 and as to your earning per ton mile and comparing
9 ocean rates and Lake rates, if it turned out, for
10 instance, that ocean rates had never been as low
11 as the Lake rates, that would show some indication
12 of whether or not tramps would come into the Lakes.
13

14 MR. GERITY: I do not agree that it does
15 because three witnesses before this Commission, two
16 of whom operate British ships, said most emphatically
17 they could not compete with Canadian ships and
18 whether or not the figures of which you speak can be
19 related in a functional way to what is the problem
20 of this Commission, I frankly do not know.

21 MR. MUNDELL: I wonder if you would have
22 your Association consider ---

23 MR. GERITY: We will.

24 MR. MUNDELL: -- that aspect of it.

25 MR. GERITY: Insofar as any records that
26 we have, but once again there are 27 different
27 companies, some with one ship, some with two, and
28 some with more, and whether our records **are** suf-
29 ficient to make such calculations or whether the
30 comparison is significant in that particular, I
just could not say, but I will look into it.



MR. MUNDELL: I suggest to you as counsel

1 of the Commission, not expressing any opinion but in
2 the sense of putting forward the proposition that
3 surely the onus is on the Association to try and pro-
4 duce those figures. That is the only point.

5 MR. GERITY: I do not disagree if that can
6 be done, but I do not like to be put in the position
7 that I have something like a railroad to deal with
8 and can calculate figures and costs from records
9 that are not even accessible to me. If they are,
10 we will be glad to put forward anything that is
11 helpful to the Commission's problems, but I do not
12 want to be thought at a later stage not to have
13 been willing to produce them. If my advisers con-
14 sider they are of no significance I would not be
15 willing to produce them.

16 MR. MUNDELL: I was wondering if the Associa-
17 tion could not let the Commission either have
18 figures that are of some significance in this res-
19 pect, or an explanation why, in the opinion of the
20 Association, such figures are not significant.

21 MR. GERITY: Well, speaking of the Associa-
22 tion, I can only say that I have to turn to the
23 professional men, chartered accountants and econ-
24 omists, and if they can help me in the matter I
25 suppose they can, but I doubt very much if the in-
26 dividual member companies can do so.

27 MR. MUNDELL: You will make the effort
28 anyway?

29 MR. GERITY: I will certainly make the
30



effort.

THE CHAIRMAN: Does that complete ---

MR. MUNDELL: That completes the Dominion Marine unless somebody else has ---

THE CHAIRMAN: Shipping Federation of Canada.

MR. GERIN-LAJOIE: The only other submission would be the Shipping Federation of Canada. Would it be convenient to have the recess now, Mr. Chairman?

---A short recess.

MR. GERIN-LAJOIE: Mr. Chairman, the next submission is that of the Shipping Federation of Canada, brief No. 65. Mr. Jean Brisset, Q.C., is appearing as counsel for the Federation. He will introduce to you the other members of his group.

SUBMISSION OF THE SHIPPING FEDERATION OF
CANADA, INC.

---Represented by Mr. Jean Brisset, Q.C., counsel.
Mr. James Boyle, O.B.E., President of the Shipping Federation of Canada, Inc. and President of Shipping Limited.
Mr. Charles T. Mearns, Secretary, Shipping Federation of Canada, Inc.

MR. JEAN BRISSET: Mr. Chairman, appearing with me are Mr. James P. Boyle, O.B.E., our President of the Shipping Federation of Canada, and Mr. Charles T. Mearns, Secretary of the Shipping Federation.

Mr. Boyle, to start with, would like to read



1 to you a short statement enlarging upon the sub-
2 mission of the Federation, and then will submit him-
3 self to cross-examination.

4 MR. JAMES P. BOYLE: Mr. Chairman, on behalf
5 of the Shipping Federation of Canada I would like
6 to read the following opening statement.

7 The Shipping Federation of Canada is an
8 association whose membership consists of steamship
9 operators of "deep-sea" vessels, (Canadian, British
10 and Foreign) trading from St. Lawrence and Canadian
11 Atlantic ports to countries overseas, as well as
12 certain operators of ships engaged in the Canadian
13 Coasting Trade. The Federation has been in exist-
14 ence since 1903. A list of Federation members, as
15 at December 31st, 1954, is submitted herewith.

16 I have those copies here, Mr. Chairman.

17 MR. GERIN-LAJOIE: I think ^{this} should be filed
18 right now as Exhibit No. 94.

19 ---EXHIBIT NO. 94: List of members of the Shipping
20 Federation of Canada, Inc.

21 MR. BOYLE: The main functions of the Federa-
22 tion are in connection with aids to navigation, im-
23 provement of harbours, vessel dues, deepening of
24 channel approaches to harbours, agreements with
25 shore labour organizations and negotiations with
26 all branches of Government on matters affecting
27 the interests of shipping at Eastern Canadian ports.

28 The submission of the Shipping Federation
29 of Canada is that the present coasting law of Canada
30 should remain unchanged. Briefly, our contention



1 is that any further restriction of our existing
2 Canadian coasting law would simply mean the exclusion
3 of British-built or British-registered ships, as
4 so-called "foreign" ships are already excluded. Such
5 exclusion would deprive Canadian cargo owners of
6 tonnage that has served them satisfactorily in the
7 past, as and when required. Moreover, in our
8 opinion, it does not follow that if these British
9 ships were excluded, the Canadian cargo owners con-
10 cerned would have Canadian ships always at their
11 disposal when they needed them.

12 It would appear that Canadian inland naviga-
13 tion operators fear that, when the St. Lawrence Sea-
14 way is completed, British-built and British-registered
15 ships, much larger than the smaller type of ocean-
16 going ship which now penetrates into the Great Lakes
17 via the existing 14 ft. St. Lawrence canals, for
18 the purpose of carrying goods from the Great Lakes
19 area to overseas countries, will engage in coasting
20 in Great Lakes waters, i.e. carrying grain from, say,
21 the head of the Lakes to Bay ports, Montreal, etc.
22 There also appears to be a fear that such larger
23 British-built ships, most of which, in our opinion,
24 will be "general cargo" carriers, or what our in-
25 land navigation operators term "package freighters",
26 would become interested in carrying package freight
27 between one port on the Great Lakes and another.
28 In the first place, we submit that such larger
29 ocean-going British-built and registered "package
30 freighters" would not be attracted into the



1 carriage of "way traffic" between one Canadian port
2 in the Great Lakes and another, as undoubtedly these
3 ocean carriers will be designed primarily to carry
4 general cargo from Great Lakes ports, U.S. and
5 Canadian, to overseas countries, as speedily and
6 economically as possible, and the expense of such
7 ships in loading a limited quantity of coastal cargo
8 at, say, Hamilton for delivery at, say, Toronto,
9 Montreal or Quebec, would have little, if any,
10 attraction to the operators of such vessels. Further,
11 all vessels engaged in the handling of package
12 freight or passengers between Canadian ports on the
13 Great Lakes are subject to the jurisdiction of the
14 Board of Transport Commissioners for Canada, which
15 issues licenses under the terms of the Transport Act,
16 on the basis of public convenience and necessity.

17 On the question of "tramp" shipping, British
18 or otherwise, going to the head of the Lakes to
19 load grain direct to overseas ports, most of the
20 tramp ships now engaged in loading full cargoes of
21 grain at Montreal, Sorel, Three Rivers or Quebec,
22 are loaded to a draught deeper than the maximum
23 depth of the new Seaway. Moreover, ocean vessels
24 whether liner or tramp, proceeding into the Great
25 Lakes when the Seaway is constructed would, in
26 our opinion, be restricted to a draught not exceed-
27 ing 25' when loaded for an overseas port, if they
28 expected to navigate safely through a 27' water-
29 way.

30 We cannot conceive that a British-built



1 and registered ocean ship of the "tramp" type, with
2 the limited quantity of grain it could carry on a
3 maximum draught of 25 ft., could compete with our
4 large inland navigation carriers in carrying grain
5 on a coasting voyage, say, from any port at the
6 head of the Great Lakes to Georgian Bay ports or to
7 Montreal or St. Lawrence ports below Montreal.

8 Our membership is vitally concerned in
9 Canadian export trade, and it seems to them that to
10 exclude ships of United Kingdom registry from the
11 opportunity of earning Canadian dollar revenue out
12 of their limited participation in our Canadian coas-
13 ting trade would be a retrograde step, especially
14 at a time when Canada is using every effort to in-
15 crease its exports abroad with a view to maintaining
16 its own economy, and British ships can prove to be
17 a desirable check on possible monopolistic prac-
18 tices which could be resorted to if the Canadian
19 coastal trade was closed to British ships' partici-
20 pation.

21 That is our submission, Mr. Chairman.

22 MR. GERIN-LAJOIE: Mr. Chairman, I should
23 like to ask the witness or his counsel a number
24 of questions.

25 THE CHAIRMAN: Very well.

26 MR. GERIN-LAJOIE: Q. If I may refer,
27 first of all, to Exhibit No. 94 just filed, I would
28 like to have a few explanations. Mr. Boyle, this
29 document has two columns, one entitled "Line" and
30 the other entitled "Firm". Does it mean that all



1 the lines enumerated there are owned by the firms
2 indicated there?

3 A. No, they are agents. They are either
4 owners or agents. In some cases they are owners.
5 For example, Canadian National (West Indies) have
6 their own offices here and they are the owners of
7 the vessels. The same thing applies in the case of
8 the Canadian Pacific Steamships Limited.

9 Q. You tell me the lines are companies
10 owning ships. Are these all the names of companies?

11 A. These are the lines here on the left
12 hand side.

13 Q. Starting on the left hand side you
14 have Alcoa Steamship Company. This is the name of
15 a company owning some ships?

16 A. That's right.

17 Q. On the other hand, as I look towards
18 the bottom of the first page, for instance, there
19 is Home Line. Is this the name of a company?

20 A. Yes, Home Line is the name of a com-
21 pany, a steamship line, and it is represented at
22 Montreal by Furness, Withy. Bristol is also repre-
23 sented by Furness, Withy.

24 Q. I would like to know if some of the
25 names indicated in the left hand column are not
26 companies owning ships?

27 A. No, they are all companies owning
28 ships. Well now, just a moment, T.A.S. de Wolf
29 and Son Limited are just plain agents. Alcoa
30 Steamship Company, they are steamship owners.



Argonaut Navigation Company Limited are steamship owners. Andros Shipping Company, Kingsport, Fjell Line, Canadian Import Company, are all simply agents. The Canadian National (West Indies), they are owners. The Canadian Pacific are owners. County Line Limited are owners. Now, the Cunard Steamship Company is represented by Blue Funnel -- these are all owners -- Cunard Donaldson and Dominion Line, Cunard Steamship Company, Donaldson Line Limited, Elder Dempster Lines Limited, International Freighting Corporation, Java-New York Line, and Watts, Watts & Company, they are all steamship owners.

T.A.S. de Wolf & Son Limited are agents. Dominion Coal Company Limited and Dominion Shipping Company Limited are owners.

R.C. Elkin Limited are agents. Federal Commerce and Navigation Company and Canada-Levant Line are owners.

Bristol City Line (Canada) Limited, Bristol City Line, Cairn-Thomson Line, Furness-Red Cross Line, Furness-Warren Line, French Line, Holland-America Line, Home Line, Manchester Liners Limited and Prince Line are all owners.

The Hudson's Bay Company are owners. Imperial Oil Limited and Imperial Oil Shipping Company Limited are owners. H.E. Kane Agencies and J.T. Knight are agents.

Christensen Canadian South African Line, Canada-Cuba-Mexico Line, Silver Line Limited, Leif Hoegh & Company, Norwegian American Line, are all



owners.

Lunham & Moore Shipping Limited are owners.

J.C. Malone & Company Limited are simply agents. And still on the right hand side there, March Shipping Agency Limited are agents.

They are all owners on the left hand side: Canada South Africa Line, Canada United Kingdom Line, Greek Line, Hamburg Chicago Line, Israel America Line, Shinnihon Line and Triton Steamship Company Limited are all owners.

Acadia Overseas Freighters are owners. I.H. Mathers & Son Limited are owners.

Ellerman & Bucknall Steamship Company Limited, Canada Far-East Line, Canada India Pakistan Service, Ellerman's Wilson Line, Head and Lord Line, and Scandinavian American Line, they are all owners.

Montreal, Australia, New Zealand Line Limited are owners.

Allied Steamship Lines Limited, Canada Continental Line Limited, Canada Mediterranean Line Limited, Capo Line, Mont Ship Lines Limited and Moore McCormack Lines are all owners.

Australia-New Zealand Line Limited are owners.

Northern Seaboard Agencies Limited -- I am not quite sure whether they are owners or agents. I think they are agents.

Pickford & Black Limited -- they were owners. I am not sure whether they are now. I think they are agents.

COMMISSIONER WICKWIRE: I think they are



1 just agents.

2 A. Yes. Quebec Steamship Lines Limited,
3 and Dingwall Shipping Company Limited are owners.

4 Compania Anonima Venezolana de Navegacion,
5 and Flota Mercante Grancolombiana, Maersk Line,
6 and Newfoundland-Canada Steamships Limited, are all
7 owners.

8 The Fabre Line, Saguenay Terminals Limited,
9 Scindia Steam Navigation Company Limited, and Swedish
10 Chicago Line, are owners.

11 Shell Canadian Tankers Limited, and Deep-Sea
12 Tankers Limited, are owners. Shell Oil Company of
13 Canada Limited are owners.

14 Ahlmann Trans-Caribbean Line, Argentine State
15 Line, McColl-Frontenac Oil Tankers, British American
16 Oil Tankers, Sun Oil Tankers, Irish Shipping Limited,
17 Oranje Line, South African Marine Corporation and
18 Thorden Lines are all owners.

19 Sincennes-McNaughton Line Limited, and Swedish
20 American Line are owners.

21 The St. Lawrence Freighting Corporation Limi-
22 ted are agents.

23 The American Pioneer Line are owners.

24 F.K. Warren Limited are agents.

25 MR. JEAN BRISSET: The firms on the right
26 hand side are the members of the Shipping Federa-
27 tion.

28 A. And the official representatives.

29 MR. BRISSET: Q. And the Lines appear
30 on the left hand side?



A. That is right.

1 MR. GERIN-LAJOIE: Q. Could you explain to
2 the Commission to what extent the firms mentioned in
3 here who are members of your Association or your
4 Federation, I should say, are engaged in the coasting
5 trade of Canada?

6 A. How many are engaged in the coasting
7 trade?

8 Q. Yes. The first question would be how
9 many of them?

10 A. I would have to go down the list for
11 you. (Pause) Dominion Coal Company.

12 Q. This is in the right hand column?

13 A. Yes, the right hand. And the left
14 hand as well. Dominion Coal Company. They are en-
15 gaged in the coasting trade. Above that, the
16 Canadian National (West Indies) are sometimes en-
17 gaged in the coasting trade; not always. They are
18 the fifth down from the top.

19
20 Then going down the list there is the Dominion
21 Coal Company Limited, Federal Commerce & Navigation
22 Company Limited, Hudson's Bay Company, Imperial
23 Oil Limited ---

24 COMMISSIONER WICKWIRE: What about Furness,
25 Withy?

26 A. Furness, Withy Limited are engaged
27 in it in a limited fashion between Halifax and
28 St. John's. The same way with the Furness-Warren
29 Line. Another is Lunham & Moore.

30 MR. GERIN-LAJOIE: Q. Which one?



A. Lunham & Moore Shipping Limited.

1 Acadia Overseas Freighters Limited used to be, but I
2 don't think they are now. I don't know whether they
3 have any ships left.

4 Allied Steamship Lines Limited, Dingwall
5 Shipping Company Limited, and Quebec Steamship Lines
6 Limited, Newfoundland-Canada Steamships Limited,
7 Saguenay Terminals Limited, Shell Canadian Tankers
8 Limited, Shell Oil Company of Canada Limited, McColl-
9 Frontenac Oil Tankers, British-American Oil Tankers,
10 and Sincennes-McNaughton Line Limited. That is
11 them all.

12 Q. Now, Mr. Boyle, could you tell the
13 Commission whether some of these companies have
14 ships engaged only in the coasting trade as opposed
15 to partly international and partly coasting?

16 A. The Dominion Coal Company, Federal
17 Commerce & Navigation Company -- well, no, Federal
18 Commerce, I would say they are mostly deep-sea --
19 Furness Line, only occasionally, they run between
20 Halifax and St. John's, Newfoundland in conjunction
21 with their Boston-Liverpool service. Hudson's Bay
22 Company, up to the Far North.

23 Q. From where?

24 A. From the St. Lawrence up to the Far
25 North.

26 Q. Could you tell at this stage whether
27 the Hudson's Bay Company is engaged in internation-
28 al trade also?

29 A. No, not in international trade
30



whatsoever. Imperial Oil Limited are both coasting and deep-sea.

COMMISSIONER WICKWIRE: Furness-Warren?

A. It is occasional from Halifax, I believe. They go to St. John's now and again. But I don't believe they have any regular service.

Lunham & Moore, they are part and part international and coasting.

MR. GERIN-LAJOIE: Q. Where do they operate their coasting trade?

A. They are operating at the present time between Havre St. Pierre and Sorel, and their oil tankers, they have an oil tanker running in the coasting trade.

MR. BRISSET: Up in the Far North.

MR. BOYLE: No, they were not up in the Far North this year. The people who are operating up in the Far North are the Federal Commerce. They took a big load up to Resolute Island this year. Allied Steamships, they are practically all coasting.

MR. GERIN-LAJOIE: Q. Between what ports, please?

A. Montreal, St. John's, Newfoundland, is one. And Montreal-Goose Bay. But they are practically out of it now. Dingwall Shipping Company are operating, I understand, between Seven Islands and Contrecoeur.

Newfoundland-Canada Steamships Limited are between Saint John, New Brunswick and Halifax, to St. John's, Newfoundland.



1 Saguenay Terminals have odd trips in fluor
2 spar from St. Lawrence Harbour in Newfoundland to
3 Port Alfred, and they also have the inter-coastal
4 line running between Montreal and Vancouver.

5 There is another line, Furness, running from
6 New York to Corner Brook via Halifax. It goes over
7 to the West Coast of Newfoundland.

8 Q. Is this Furness?

9 A. Yes, Furness, Withy & Company.

10 Q. But which line?

11 A. That would be the Furness-Red Cross.

12 They are operating between New York and Corner Brook
13 via Halifax.

14 Sincennes-McNaughton -- they are only tugs in
15 the harbour at Montreal.

16 Now, the McColl-Frontenac Oil Tankers and the
17 British-American Oil Tankers are operating both on
18 the Lakes and also down as far east as Halifax and
19 Saint John. That is on the last page there, page
20 3.

21 Q. Will you repeat between what ports
22 they operate?

23 A. The Great Lakes, Montreal, Halifax,
24 Saint John, New Brunswick, and intermediate points
25 on the St. Lawrence.

26 Q. Is it only Canadian ports on the
27 Great Lakes or also American ports?

28 A. They sometimes go over to the Ameri-
29 can ports, but principally from Toronto. McColl-
30 Frontenac and British-American Oil, that is.



1 Q. Both?

2 A. Yes, both.

3 Q. Now, I understood from Mr. Brisset
4 that the members of the Shipping Federation of Canada
5 are the firms listed on the right hand column?

6 A. Yes.

7 Q. The companies themselves are listed
8 in the left hand column?

9 A. That's right. On the right hand side
10 are the agents representing them in Montreal.

11 MR. BRISSET: If I may interrupt here, I
12 understand -- if I may correct you, Mr. Boyle -- that
13 the lines are actually members in this sense, that
14 they pay their dues on the basis of the ships that
15 are being operated here.

16 MR. BOYLE: That's right.

17 MR. BRISSET: Although the agent is the
18 spokesman for the various owners.

19 MR. GERIN-LAJOIE: Q. Would you happen to
20 know offhand the total number of ships owned by the
21 various lines mentioned in the list?

22 A. The list here?

23 Q. Yes.

24 A. No, I would not.

25 Q. Would you have that on record at
26 your office?

27 A. I think our Secretary could get that
28 for you very easily.

29 Q. The number of ships owned.

30 A. Yes. You want the number of ships



and tonnage?

1 MR. C.T. MEARNS: I might say last year there
2 were approximately $5\frac{1}{2}$ million gross tons in the
3 Federation.
4

5 MR. GERIN-LAJOIE: Q. Would you be in a
6 position to supply the full list of ships?

7 A. We can get that for you.

8 Q. The name of each ship owned by each
9 company with the tonnage of each ship.

10 MR. C.T. MEARNS: A great number of ships
11 come in four, five or six times each year, but all
12 you want is one trip?

13 Q. Just the name of the ship, the tonnage,
14 place of registration, country in which it was built.
15 Have you that information?

16 MR. BOYLE: We can pick that out of Lloyd's
17 Registry.

18 THE CHAIRMAN: That will only be necessary
19 in the case of ships engaged in the coastal trade.

20 MR. GERIN-LAJOIE: That was what we were
21 discussing, Mr. Chairman.

22 MR. BOYLE: Do you want them all or just the
23 coasting trade?

24 MR. GERIN-LAJOIE: Only those engaged in
25 the coasting trade either exclusively or partly.
26 Now, this may be an appropriate time to ask you if
27 some of the ocean ships owned by the lines you
28 have not mentioned as being engaged in the coast-
29 ing trade would occasionally take a cargo, let's
30 say, from Quebec City to Montreal or to the Lakes.



A. Very few of them. Very, very few.

1 The Canadian National have done it on certain occas-
2 ions. They might take an odd cargo of gypsum rock
3 down to Montreal. Perhaps a cargo of pulp from
4 Halifax to Dalhousie. Or they might take general
5 cargo from Halifax up to St. John's. They sometimes
6 do it. The other lines like the Saguenay Terminals,
7 for example, they go in for fluor spar at St. Lawrence.
8 But the big companies like the Dominion Coal Company
9 are exclusively in that particular trade.

10 Q. Yes, of course. I am not talking of
11 these companies or lines. I am referring to the
12 lines doing some ocean shipping between, let's say,
13 Europe and Canada. If a ship, let's say, were un-
14 loading in Montreal a cargo coming from Europe,
15 would that ship have a partial cargo on unloading
16 in Montreal and the ship going on to the Lakes,
17 would that ship take an additional cargo on to com-
18 plete its tonnage, take an additional cargo on in
19 Montreal and bring it to the Lakes?

20 A. Do you mean for going over to the
21 American side? Or just on the Canadian side? For
22 discharge on the Canadian side?

23 Q. Well, the Canadian side is what I
24 have in mind.

25 A. Very, very few. On the American
26 side there are a few. That is international trade.
27 Most of those ships going into the Lakes, there
28 are very few of them that are of British registry.
29 I think there are only two or three lines running
30



1 into the lakes that are of British registry, and
2 they are generally down to 14 feet so that they
3 cannot take any cargo. If they wanted to take it,
4 they couldn't because of the Transport Act. They
5 have no license.

6 Q. Since you are going to supply the Com-
7 mission with a list of the ships owned by the com-
8 panies engaged in the coasting trade only, I take
9 it that most of the other companies listed as members
10 of your Federation operate ships which are not --
11 most of them anyway -- British registry?

12 A. No, I think the great -- there are
13 quite a few of them that are of foreign registry.

14 Q. Most of them would be foreign?

15 A. Oh, no. I would say that fifty-fifty
16 there would be British registry. All Furness, Withy
17 ships are British registry.

18 Q. Where they are engaged in the coasting
19 trade?

20 A. Oh, no. Those of British registry or
21 foreign registry are not engaged in the coasting
22 trade. There are very few of the regular liners
23 operating into Montreal that are in the coasting
24 trade. They are pretty well all in the foreign
25 trade.

26 Q. Now, may I ask if some of those ships
27 or shipping companies, I should say, would expect
28 to do some coasting trade with the St. Lawrence
29 Seaway opened?

30 A. Well, that is problematical. If they



are in the regular line business, I don't see many of them going in for it because we feel that these ships are primarily in the foreign trade; that is running from Great Lakes ports over to ports on the other side, and they don't want to lose the time. In any event, they would not be able to do it because it is a violation of the Transport Act unless they can secure a license.

Q. Unless they can go under British registry?

A. Even if they have British registry they still cannot trade between ports in the Great Lakes and ports like Montreal unless they are licensed by the Department of Transport.

COMMISSIONER WICKWIRE: That is package freight.

A. You are talking about package freight now, are you not?

MR. GERIN-LAJOIE: Q. No.

A. These are mostly regular lines. They would not be interested in the grain trade, for instance. Most are engaged in general cargo.

Q. All the oil companies, what about them?

A. They simply carry nothing else but oil.

Q. And most of the others, you say, are engaged in general cargo?

A. Yes. C.P.R., Blue Funnel, Cunard, they are all regular liner package freighters.



1 Q. And none of the companies listed there,
2 or the lines, carry any grain, for instance, from
3 Canada to Europe?

4 A. Sure.

5 Q. They do?

6 A. They carry grain as well as general
7 cargo. Every regular vessel going out of Montreal to
8 the United Kingdom and to the Continent of the large
9 type, the good large-sized vessels, carry grain.
10 They carry perhaps as much as 50 percent.

11 Q. And the balance would be general cargo?

12 A. Yes.

13 Q. Do you have any ships owned by the
14 lines mentioned in the list which would carry only
15 grain as a regular trade or more or less regular?

16 A. Well, yes, the ships of the Dingwall
17 Shipping Company apart from being in the coasting
18 trade carrying bulk commodities like ore and gypsum,
19 might carry grain at the end of the season. The
20 Acadia Overseas Freighters ---

21 Q. From Canada to Europe?

22 A. Yes. They are regular grain carriers.
23 That is exclusively grain. And the same would
24 apply with Quebec Steamship Lines. But the greater
25 majority of our members here are nearly all in
26 the general cargo trade.

27 Q. Would it be possible for your Federa-
28 tion to supply the Commission with the grain rates
29 from Montreal to Liverpool, let's say, for each
30 day for a number of years back? Do you have any



1 tables of such rates?

2 A. The Shipping Federation of Canada is
3 not interested in freight rates.

4 Q. But the Commission is to a large ex-
5 tent.

6 A. We do not have it. We would have to
7 rely on the figure as given in "Fair Play" or some
8 of those official publications, unless we went to
9 some of our members and asked them to furnish us with
10 the daily booking rates.

11 Q. The Federation doesn't keep such infor-
12 mation?

13 A. The Federation does not enter into
14 freight rates at all.

15 Q. Isn't there a place in Montreal where
16 those figures would be kept like they keep figures
17 at the Stock Exchange, for instance? Would there
18 be any similar place for the grain rates?

19 A. The grain rates, as far as the North
20 Atlantic Conference, grain rates are open. They do
21 not fix the rates at all. They leave it to the
22 individual steamship companies.

23 Q. Yes, but I suppose they vary from
24 day to day according to the supply and demand?

25 A. Maybe. Maybe the individual com-
26 panies may have some information. For example,
27 today we may book grain at \$9 and somebody else
28 might book it at \$9.25. Frankly, I don't know
29 what the going rate is. There is competition
30 between the lines on the rates.



1 Q. There is no official registry of such
2 rates?

3 A. None whatsoever.

4 Q. It should be possible to get that infor-
5 mation from one or another of your members, I
6 suppose?

7 A. I think we could ask our members for
8 it especially in the case of the United Kingdom.
9 We might ask the Cunard Line and Furness, Withy and
10 the C.P.R.

11 Q. I think it would be helpful for the
12 Commission to have such information.

13 A. If they would furnish it the Federation
14 would be glad to pass it along to you. The Federa-
15 tion itself does not have them.

16 Q. But you appear here on behalf of your
17 members.

18 A. That's right.

19 Q. So if you could supply such information,
20 say, from five of your members ---

21 A. For how many years back?

22 Q. Five years back would be sufficient.

23 A. 1951 to 1955 inclusive.

24 Q. For every day, because I suppose
25 they fluctuate. Perhaps they do not fluctuate
26 every day but they do fluctuate very much from week
27 to week and month to month.

28 A. The rates are not fixed.

29 Q. No, they are not, and so they fluc-
30 tuate. I mean the actual rates, not any fixed ones,



1 but what they happened to be in practice like the
2 quotation on the market for a particular share of
3 stock.

4 A. As I understand it, up to some years
5 ago the rates were fixed by the Conference, but I
6 think they dropped out of it two or three years ago.

7 Q. So the actual rates charged by those
8 companies, let's say five companies you will choose---

9 A. Montreal - United Kingdom?

10 Q. Let's say a particular place in the
11 United Kingdom. Let's say Liverpool.

12 A. They are pretty well the same rates
13 all around except for slow ports. Suppose I give
14 you London-Liverpool.

15 Q. Yes. Now, do you think those companies
16 could also supply the Commission with the cost per
17 ton mile for the same run for transporting grain?

18 A. I don't think they have it.

19 Q. Well, they could make it up from their
20 books?

21 A. I don't think anybody keeps any
22 statistics on the basis of per ton mile.

23 Q. Could they not figure it out? I
24 suppose they have their books and their material?

25 A. I suppose we could ask them for it.
26 It would be quite a job.

27 COMMISSIONER WICKWIRE: Of course, the
28 shipping lines that he mentions would be carrying
29 a lot of other cargo in addition to grain.

30 MR. BOYLE: That's right. They are not



1 exclusively tramps.

2 COMMISSIONER WICKWIRE: He mentioned Cunard,
3 Furness, Withy -- they would be carrying all kinds of
4 general cargo.

5 MR. BOYLE: That's right. One trip the same
6 ship might carry 2,000 tons of grain and another time
7 6,000 tons. The balance would be filled with general
8 cargo.

9 COMMISSIONER WICKWIRE: You mentioned Acadia
10 Overseas?

11 A. They haven't been operating steadily
12 for the past two years, I believe.

13 COMMISSIONER WICKWIRE: Is there anybody
14 operating 10,000-tonners carrying grain exclusively?

15 A. Well, among our members, perhaps, yes,
16 but there are a lot of foreign ships come in. We
17 have no control whatsoever over them. They are con-
18 trolled over on the other side.

19 MR. GERIN-LAJOIE: Q. I don't know whether
20 you have looked at Exhibit 93 filed by the Dominion
21 Marine Association today. I wonder if you could
22 find some ships carrying only grain from Montreal
23 to England?

24 A. Yes.

25 Q. And file a sheet comparable to Ex-
26 hibit 93 which has been filed by the Dominion
27 Marine Association giving the length of the ship,
28 gross tonnage, the capacity in bushels of wheat,
29 and the daily operating costs before depreciation.

30 A. Frankly, I don't know at the present



1 time just how we would go about that. Most of the
2 ships taking full grain cargoes out of Montreal are
3 only foreigners. There are no records here at all.
4 Quite a few of the tramps that are coming here are
5 British tramps registered over in the United Kingdom.
6 So we on this side of the water have no figures what-
7 soever unless we could get some Canadians. But
8 most of the Canadians are all gone now. We used to
9 have quite a few Canadian-registered vessels that
10 loaded full cargoes of grain, but they have all gone
11 to foreign flags too and to British flags.

12 Q. Could some companies having their head
13 offices in Britain be called upon to supply that in-
14 formation to you and through you to the Commission?

15 A. Well, the Federation could ask them.
16 People like Dalglish and Norters, some of those Nor-
17 theast Coast tramps might be helpful. We could
18 write them and ask them if they would give us the
19 information.

20 COMMISSIONER WICKWIRE: Aren't some of your
21 constituent members in the right hand column, the
22 agents' side, also agents for lines of Panamanian
23 registry, for instance, carrying grain?

24 A. Yes.

25 COMMISSIONER WICKWIRE: Q. Could you ob-
26 tain it from them?

27 A. That is why I say we will have to
28 ask the various foreign steamship companies if
29 they would furnish the information to us. There
30 is a tremendous number of those that are Panamanian



1 Liberian registry.

2 Q. Formerly Canadian registries?

3 A. Well, there is not so many of those
4 coming along. It is mostly the American Liberty-
5 type carrying grain now. Most of the others are
6 all down taking coal out of Hampton Roads. We would
7 do our very best to get the information for you.

8 MR. GERIN-LAJOIE: Q. Mr. Boyle, would you
9 and your staff with the help of some of your members
10 in Montreal be in a position to figure out the
11 ton mileage cost for carrying grain from Montreal
12 to England on a new tramp ship?

13 A. We can find -- if we can get an owner
14 that will be co-operative with us I think we can get
15 it.

16 Q. Would you try to do that?

17 A. Yes.

18 Q. Let us say a 10,000-ton ship or
19 whatever may be the tonnage. If you can get it for
20 a 10,000-ton ship that would be a figure which
21 might be used for purposes of comparison by the
22 Commission. Now, I don't know whether you would
23 be in a position to get the daily operating cost.
24 I suppose you would have to determine for that
25 the number of days during which the ship would be
26 operating for the whole year.

27 A. To get the operating cost from for-
28 eign owners, I think they would keep that very
29 close to their vests, you know. I don't think
30 they would care to part with it.



1 Q. Well, if you are in a position to
2 supply the Commission with the ton mile cost, do
3 you think you would be in a position to also supply
4 the operating cost?

5 A. We could ask the owners if they would
6 furnish it to us.

7 Q. On a typical ship, you see. You don't
8 have to ask all your members, of course. It could
9 be on a typical ship as mentioned a moment ago.

10 A. We will certainly do our best to co-
11 operate with you in every way possible in order to
12 get the information. It may take us a little time.

13 Q. Well, take the number of days you need
14 and if you are in doubt you may communicate with the
15 Secretary or the Economist of the Commission or
16 Counsel, and we may be able to discuss the matter
17 and get from you information which may be of some
18 use to us. Now, I believe you mentioned that your
19 members are not interested in carrying goods or
20 cargo between two Canadian ports. Did you say
21 that? Did I understand you correctly?

22 A. That is in general cargo.

23 Q. General cargo?

24 A. Yes. We do carry some bulk cargo,
25 as I mentioned to you before, like gypsum rock
26 from Dingwall to Montreal and ore from Seven Is-
27 lands, Havre St. Pierre to Sorel.

28 Q. I suppose all the members of your
29 Federation who do not do any coasting trade at
30 all would not be interested in the recommendations



1 contained in your brief or the eventual recommenda-
2 tions of the Commission? Or do they feel they
3 have some interest?

4 A. Oh, yes, they feel they have some
5 interest -- very much so.

6 Q. What would be their interest? I mean
7 the lines not engaged in the coasting trade.

8 A. Well ---

9 Q. What would be their interest in this
10 matter?

11 A. Well, we have members there who may
12 want to come into the trade later on. Right now
13 they do not on account of the restricted condition,
14 but we don't know what is going to happen later on,
15 after 1960.

16 Q. Well, that is an important point.

17 THE CHAIRMAN: What restrictions?

18 A. Right now there is the 14-foot channel.
19 The ocean liners nearly all stop here.

20 COMMISSIONER BELANGER: Q. You say they
21 won't be attracted even after the completion of the
22 Seaway?

23 A. I say we may be attracted afterwards.

24 Q. I thought you said before that they
25 would not be attracted.

26 A. Oh, no, we may be attracted after the
27 Seaway opens. When the Seaway opens the situation
28 may change.

29 COMMISSIONER WICKWIRE: Q. Will you be
30 attracted to the coastal trade or the international



1 trade?

2 A. Maybe the coastal. We may be interes-
3 ted in taking cargoes from the Lower St. Lawrence
4 ports up to Canadian Lake ports. At the present
5 time we are not on account of the restricted condi-
6 tions.

7 COMMISSIONER BELANGER: Q. You did not say
8 that at the beginning of your submission.

9 COMMISSIONER WICKWIRE: That was my under-
10 standing too.

11 A. In our submission here, in the opening
12 statement?

13 COMMISSIONER BELANGER: Yes. I believe you
14 said the British ship would not be interested or
15 attracted to the Great Lakes because of the costs.

16 A. That is in the package freight. We
17 say in No. 3, item No. 3 there:

18 "It would appear that Canadian inland navi-
19 "gation operators fear that when the St.
20 "Lawrence Seaway is completed, British-built
21 "and British-registered ships, much larger
22 "than the smaller type of ocean-going ship
23 "which now penetrates into the Great Lakes
24 "via the existing 14 ft. St. Lawrence canals,
25 "for the purpose of carrying goods from the
26 "Great Lakes area to overseas countries,
27 "will engage in coasting in Great Lakes
28 "waters, i.e. carrying grain from, say, the
29 "head of the Lakes to Bay ports, Montreal,
30 "etc. There also appears to be a fear



1 "that such larger British-built ships, most
2 "of which, in our opinion, will be 'general
3 "cargo' carriers, or what our inland naviga-
4 "tion operators term 'package freighters',
5 "would become interested in carrying package
6 "freight between one port on the Great Lakes
7 "and another. In the first place, we submit
8 "that such larger ocean-going British-built
9 "and registered 'package freighters' would
10 "not be attracted into the carriage of 'way
11 "traffic' between one Canadian port in the
12 "Great Lakes and another, as undoubtedly these
13 "ocean carriers will be designed primarily to
14 "carry general cargo from Great Lakes ports,
15 "U.S. and Canadian, to overseas countries, as
16 "speedily and economically as possible, and the
17 "expense of such ships in loading a limited
18 "quantity of coastal cargo at, say, Hamilton
19 "for delivery at, say, Toronto, Montreal or
20 "Quebec, would have little, if any, attraction
21 "to the operators of such vessels. Further,
22 "all vessels engaged in the handling of
23 "package freight or passengers between
24 "Canadian ports on the Great Lakes are sub-
25 "ject to the jurisdiction of the Board of
26 "Transport Commissioners for Canada, which
27 "issues licenses under the terms of the
28 "Transport Act, on the basis of public con-
29 "venience and necessity."

30 COMMISSIONER BELANGER: Q. You say they



1 would not be interested in package freight.

2 A. No, not in package freight. I don't
3 think any of our lines would be interested in way
4 traffic, as we call it, picking it up in Hamilton,
5 for instance, and taking it down to Montreal.

6 Q. Would they be interested in bulk cargoes?

7 A. I don't think we will be heavily inter-
8 ested.

9 Q. I don't see your interest then.

10 A. Pardon?

11 Q. I just cannot understand your interest.

12 COMMISSIONER WICKWIRE: Will they be inter-
13 ested in taking a flock of ships to the head of the
14 Lakes and bringing ore down to other ports in
15 Canada and taking something else back, bulk cargoes?

16 A. That is problematical. It depends on
17 what the rate will be. If the rates are attractive
18 enough they might be in there. If they are not,
19 they won't be.

20 MR. GERIN LAJOIE: Q. Is it conceivable
21 that the business may get a bit slack on the ocean?
22 I mean, for ocean transportation? And that the
23 ships owned by members of your Federation might
24 come into the Lakes?

25 A. There is a possibility. It depends
26 on economics. If the grain rates on the Lakes are
27 high, I don't think you will see any ocean vessels
28 going past Montreal because it would be cheaper
29 for them to load here and get away back over to
30 the United Kingdom or the Continent with a load.



1 Q. Now, I should like to refer to one
2 particular point in your main brief, 65. On page 2,
3 paragraph 4, you say:

4 "It is submitted, however, that if our coast-
5 "ing trades were closed to British-built
6 "ships, it does not follow that Canadian ship-
7 "yards would thereupon receive orders for
8 "Canadian vessels to take their place because
9 "many of those coastal trades are seasonal
10 "and it is unlikely that a Canadian shipowner
11 "would be induced to engage in the construc-
12 "tion, in a Canadian shipyard, of a fairly
13 "large carrier, suitable for deep-sea coastal
14 "service, without some assurance that such
15 "Canadian-built ship would be able to secure
16 "profitable employment during the entire
17 "year."

18 In this paragraph you do not envisage a case of so-
19 called Lakers built for the traffic, let us say,
20 from the Lakes, from the head of the Lakes, for in-
21 stance, to Montreal, do you?

22 A. No. We mean the coasting trade --
23 practically the coasting trade down below.

24 Q. But if the coasting trade of Canada
25 were restricted to Canadian-built ships, Canadian
26 shipyards might get orders for the construction of
27 so-called Lakers, is that not right?

28 A. There is a possibility of that, yes,
29 but on the other hand, the costs would be so tre-
30 mendous that the ocean freight rates would be



1 naturally much higher than they are today.

2 Q. Much?

3 A. They would be higher than what they
4 are today. I mean to say today we have a market
5 where we can charter British-built ships ---

6 Q. You are talking of ocean rates?

7 A. Yes.

8 Q. Yes, but I am considering now the
9 rates in the case of shipping from the head of the
10 Lakes to Montreal. I suppose the building of ships
11 for that cruise would give more work to Canadian
12 shipyards?

13 A. I agree with you.

14 Q. Now, if we consider the trade from Mont-
15 real downward, do you mean that, for instance, lines
16 like ---

17 A. What part of the brief is that in?

18 Q. That is paragraph 4. That is the
19 one numbered 4. In the case of lines operating say,
20 from Montreal to Newfoundland -- there is, I believe,
21 Clarke Steamship Company operating under the Canadian
22 flag.

23 A. And under British flag. They operate
24 under both at the present time.

25 Q. They have a number of ships under
26 Canadian flag and also a number of ships built in
27 Canada, I believe?

28 A. Yes.

29 Q. And it is your submission here that
30 a company like that one, for instance, would not



1 be used to build ships for operating in that trade?

2 That is what you mean in this paragraph 4, isn't it?

3 A. Let me read this over. What paragraph
4 are you referring to?

5 Q. The second part of paragraph 4.

6 A. "It is submitted, however, that if our
7 "coasting trades were closed to British-built
8 "ships, it does not follow that Canadian
9 "shipyards would thereupon receive orders for
10 "Canadian vessels to take their place because
11 "many of those coastal trades are seasonal
12 "and it is unlikely that a Canadian shipowner
13 "would be induced to engage in the construc-
14 "tion, in a Canadian shipyard, of a fairly
15 "large carrier, suitable for deep-sea coastal
16 "service, without some assurance that such
17 "Canadian-built ship would be able to secure
18 "profitable employment during the entire year."

19 Well, that is our opinion, the opinion of the members
20 of the Federation.

21 Q. That would be for the trade from
22 Montreal to the Atlantic Ocean?

23 A. That's right.

24 Q. Now, did I understand from you that
25 none of the ships operated by your members are
26 tramp ships?

27 A. Oh, sure. In addition to the regu-
28 lar lines we have in the Federation we also have
29 tramp ships.

30 Q. Quite a number of them?



1 A. Well, I would say close on to 90 per-
2 cent.

3 Q. 90 percent would be tramp ships?

4 A. Oh, no, I am saying apart from the list
5 of members we have here, the list of lines, we also
6 have tramp ships interested in the Federation. They
7 are tramp ships of all nationalities in the world.
8 I would say that about 90 percent of them come to
9 Montreal, 90 percent of the tramps that come to
10 Montreal are entered in the Federation as what we
11 call tramp members. They pay a very small fee, a
12 fee of \$25.

13 Q. But they are members of your Federation?

14 A. Oh, yes. They get all the benefits
15 of all our labour contracts, improvements to aids to
16 navigation that we are able to obtain from the
17 Government.

18 Q. Do you believe that a number of such
19 ships might desire to engage in Canadian coasting
20 trade when the Seaway is completed?

21 A. There is a possibility. It is diffi-
22 cult for us at the present time to tell you about
23 that. It all depends on what earnings they can
24 make.

25 Q. Do you think or do you have any
26 opinion as to the future competitive position with
27 Canadian labour?

28 A. Frankly we do not think they are
29 going to compete at all. In the first place, there
30 is not enough water. The average ship today draws



1 28 feet. We cannot go through that canal with much
2 more than 25 feet. Therefore, if we are going to
3 try to compete with these great big 21,000-tonners
4 we are going to carry 8,000 tons of cargo as compared
5 with a 21,000 ton cargo. Also compare the time.
6 These ocean vessels are awkward, bulky. They cannot
7 go through the canals at the same speed as the
8 Canadian-built special types. So, under the cir-
9 cumstances, including tolls, and extra insurance and
10 everything else, we don't think you are going to
11 find very much competition. That is the opinion of
12 the Federation.

13 Q. Do you conceive that there is the
14 possibility of a new design of ships that might be
15 brought up which would make ships suitable for the
16 St. Lawrence Seaway as well as on the ocean?

17 A. The only difficulty there -- I don't
18 think they will bring such a thing up because they
19 would then become captive ships. If you are going
20 to built special-type ships for the St. Lawrence
21 Seaway, then we have to compete with the special
22 type of design that is presently used by the
23 various Lake companies.

24 Q. Well, I have in mind a dual-purpose
25 ship being able to ---

26 A. Well, if you have a dual-purpose
27 ship you must have a stronger ship, and if you have
28 a stronger ship then she cannot carry the cargo.
29 You are cutting down your cargo capacity con-
30 siderably.



1 Q. Yes, but don't you conceive that even
2 with a smaller cargo your ships or such ships might
3 be in a position to compete with the Canadian Lakers?

4 A. I do not think so.

5 Q. With lower operation costs.

6 A. No, I do not think we will have lower
7 operation costs because if we are going to keep
8 that type of ship in the trade between, say, the
9 Lower St. Lawrence and the Great Lakes we will be
10 forced to employ Canadian crews.

11 Q. Well, what is the basis for this
12 assumption?

13 A. Well, we have already had plenty of
14 trouble so far.

15 Q. Would you give examples of that trouble
16 to the Commission?

17 A. The unions here will start giving you
18 labour pains.

19 Q. Have you had such trouble in the past?

20 A. We have had it. We have had it by
21 using non-union crews. You know last year there
22 were about half a dozen ships held up in the St.
23 Lawrence with their crews being plundered by sup-
24 posedly S.I.U. members but we have never been able
25 to prove it.

26 Q. What happened?

27 A. Well, they ended up that lots of crews
28 were put in jail and some had to be flown home and
29 new crews brought out.

30 Q. From where?



1 A. From England. I really feel ---

2 Q. Did the shipowners have to bring their
3 wage levels higher in the end?

4 A. They didn't do it. What they did do
5 was give their crews about 6 pounds a month more for
6 extra expenses.

7 Q. Over a period of how long?

8 A. 6 pounds a month more.

9 Q. Bonus?

10 A. Yes. That was to take care of their
11 extra expenses while working in the coastal trade.

12 Q. What were the wages?

13 A. About 50 percent of Canadian.

14 Q. I would compare that 8 pounds ---

15 A. 6 pounds. About \$15 more.

16 Q. What were the wages in pounds?

17 A. I would say the wages must have been
18 about \$80 a month. When you add on another \$15,
19 that gives them \$95. That is still much below the
20 Canadian scale.

21 Q. Are you in a position to give the
22 names of the ships on which that happened last year?

23 A. No. I haven't got the names. But
24 there were two Dominion Coal ships on time char-
25 ter and there was one ship on time charter, Clarke
26 Steamships.

27 Q. Would you be in a position to supply
28 the Commission with a list of those ships in a
29 few days?

30 A. I think we could. The ones we had



trouble with last year?

Q. Yes, and mention the approximate time of year when the so-called trouble happened.

A. Mr. Brisset, I think, could supply that information. I think he had something to do with prosecuting it.

MR. BRISSET: There was one called the Shel-drake in respect of which there was crew trouble. The crew had to be discharged and repatriated home and a new crew flown over. There was another vessel where the same trouble occurred, but right at the moment I forget the name.

A. One of the Dominion Coal Company ships.

MR. BRISSET: The Sheldrake was the Clarke Steamship Company's.

A. Both of those ships lost approximately two weeks in time. They were immobilized until they could get another crew over from the United Kingdom.

MR. GERIN-LAJOIE: Q. Can you tell me whether something other than wages had anything to do with the so-called trouble?

A. Well, not only was there the question of wages, a lot of these fellows could not get bonded stores, bonded cigarettes, and they had to pay the current prices on account of being in the coasting trade. Whereas in the foreign trade they get cigarettes for about 8¢ a package, these fellows had to pay 33¢. That caused a lot of dissatisfaction. But I feel if we got into the Great Lakes trade we would have to employ



1 Canadian crews. We could not get away from it.
2 So where would the advantage be? It would be very
3 little advantage.

4 Q. And this judgment is based on exper-
5 ience you have had such as that which you have just
6 mentioned?

7 A. Yes.

8 Q. Now, that argument, I suppose, would
9 not apply to tramp ships coming in for grain, let's
10 say, only once or twice a season into the Great Lakes?

11 A. Are you talking of coasting or inter-
12 national?

13 Q. Coasting.

14 A. Well, I don't know. It all depends
15 on what the unions do, you know. We have no control
16 over the situation. Suppose, for example, a union
17 started to give us labour pains, what could we do?
18 Enticing our crews off, what could we do? After
19 one or two experiences like that I do not think
20 you will find anybody else coming in.

21 Q. Would you expect a number of ships
22 or lines to try to get long-term contracts, for
23 instance, for the transportation of, let's say,
24 iron ore from Seven Islands to Contrecoeur or to
25 other Canadian ports?

26 A. No, I don't think so. The wharf
27 at Contrecoeur will probably disappear after the
28 Seaway opens, some say, so most of the ore will
29 be going from Seven Islands to Cleveland, Detroit,
30 Conneaut, Astabula, and points along the United



States coast.

1 Q. And then you would expect ships of
2 members of your own Federation trying to have con-
3 tracts for the transportation of ore?

4 A. They might. Of course, there is no
5 necessity there for employing British ships.

6 Q. No, not at present. But it has been
7 suggested by several groups before this Commission
8 that Canada and the United States could enter into
9 a treaty in this respect, so I have this in mind
10 when I am asking if ships owned by members of your
11 Federation might be interested in getting long-
12 term contracts.

13 A. Yes, I would think so. It is quite
14 possible. But we never looked at it from that point
15 of view. We just looked at it from the point of
16 view that it is international trade, it is not
17 coasting trade.

18 MR. GERIN-LAJOIE: That is all, Mr. Chairman.

19 MR. GERITY: Q. Mr. Boyle, can you tell
20 me just how you entice a crew, considering the
21 Immigration Service of this country?

22 A. We don't entice them.

23 Q. How can they come ashore? Will the
24 Immigration let them do it?

25 A. Oh, sure. Once a ship enters the
26 coasting trade in the spring of the year, the
27 Immigration Service doesn't bother them until the
28 end of the season.

29 Q. Can they land and stay here?



1 A. They won't let them stay here, of
2 course.

3 Q. So that they cannot be enticed ashore?

4 A. They are enticed ashore for the time
5 being and then we have no crew.

6 Q. I noticed in your list of members you
7 named three members who also belong to the Dominion
8 Marine Association. How do you account for that?
9 They are three oil companies.

10 A. Well, I'll tell you, they have tramp
11 ships coming in, you know. They have tankers coming
12 in from the South, you know, that they enter in the
13 Federation.

14 THE CHAIRMAN: You have three "fence-sitters",
15 that's all, Mr. Gerity.

16 MR. GERITY: Q. What I wanted to say, Mr.
17 Boyle, is, is it true to say that your organization
18 is really one that represents agents and shipping
19 companies coming in and out of Montreal?

20 A. That's right.

21 Q. It is not essentially an organization
22 that represents Canadian shipowners, is it?

23 A. Oh, no, no. We represent everybody
24 from Panama upwards.

25 MR. ARTHUR SIMARD: Q. I am Arthur Simard,
26 Marine Industries Limited, Sorel. Mr. Boyle, is
27 your sole occupation the Shipping Federation of
28 Canada?

29 A. How do you mean?

30 Q. What is your ---



1 A. No, I am President of Shipping Limited.
2 I just happen to be the President of the Shipping
3 Federation for another six months.

4 Q. What kind of an operation do you have
5 in Shipping Limited?

6 A. We are steamship agents representing
7 various lines, representing various tramp lines.

8 Q. Is it true, Mr. Boyle, that should
9 there be a restriction on Canadian-built and Canadian-
10 registered ships that it would affect your own com-
11 pany?

12 A. No, it would not. I do not believe it
13 will affect us at all.

14 Q. Now, on page 2 of your brief, the
15 formal brief, you say that the United Kingdom ships
16 will not compete on the Great Lakes. Why do you
17 object to restriction? You have nothing to fear
18 if it will not be of any attraction to them. Why
19 is it that the Shipping Federation is making such
20 an objection to restriction?

21 A. Well, we say, as our submission states,
22 "The Federation is mainly concerned with
23 "deep-sea coasting."

24 Q. Do you want to divide it into the
25 two ---

26 A. "... but it feels that there are no
27 "real grounds for fear on the part of
28 "Canadian inland navigation operators that
29 "the entry of larger British-built deep-
30 "sea ships into the Lakes, when the Seaway



"is completed, will result in competition
"by such ships in the coastal carriage of
"grain within the Lakes and this for the
"reasons given in our opening remarks, or
"from the Lakes to Lower St. Lawrence ports
"where the grain is now transferred to ocean
"carriers. In this respect we can only
"foresee the possibility that British-regis-
"tered ships engaged in the movement of ore
"from Labrador to American Lake ports,
"Cleveland, Buffalo, Toledo, and so forth,
"may instead of returning in ballast pick up
"a cargo of grain at the head of the Lakes
"and discharge it either at Montreal or some
"other Lower St. Lawrence port en route;
"however, we consider that this is a very
"remote one as such a movement, even with a
"16 knots vessel would entail a deviation of
"at least six days, including loading and
"discharging, and we doubt very much that
"the operators of the expensive ore-carriers
"will want to, or can even do so, because
"of the short restricted season for the
"movement of ore, the heavy commitments of
"the shippers to meet the needs of the
"steel refineries, the risk of upsetting the
"scheduling of the ore-carriers, the fact
"that most likely the ore-carriers would
"be under time charter to the steel com-
"panies, with the result that the owners



1 "will not have the right to carry cargo for
2 "their own account, and the unlikelihood that
3 "the steel companies will want to branch into
4 "grain cargo carrying activities, and the
5 "fact that American tonnage will be used, and
6 "such tonnage will not qualify for the coastal
7 "trade. All this so long, of course, as the
8 "grain rates are not exceedingly attractive
9 "because of short supply of tonnage, and then
10 "the British ore-carriers will, instead of
11 "competing with the grain-carriers, fill a
12 "definite need in case of emergency."

13 That is the view of the Federation. We do not think
14 they are going to compete but for all purposes we
15 feel the Federation, that is the Federation feels
16 it should remain open.

17 Q. You give all the reasons that they
18 won't compete and still you think that the restric-
19 tion should not be imposed.

20 A. That is the opinion of our members.

21 Q. But, if on the other hand, a group
22 claims that there is the possibility that United
23 Kingdom ships can come in, that it will make it
24 kind of unsafe or unsound for them to go into build-
25 ing a fleet because they do not know the day that
26 United Kingdom ships will come in and underrate
27 them with distress rates, because they will be en-
28 gaging in international trade bringing some United
29 Kingdom goods to Canada or to the United States
30 and the same thing on the way back -- well, they



are covered on their international trade.

1 A. Yes.

2 Q. But on the way back, we'll say taking
3 a cargo without any consideration as to costs, they
4 can underrate anybody, and it might be a very ---

5 A. As I said in the statement, Mr. Simard,
6 we do not think they will do it for the reasons we
7 have given.

8 Q. Yes, I know, but if there is a possi-
9 bility it will prevent Canadian shipbuilders and
10 Canadian ship operators from building a fleet, and
11 it might jeopardize the transport situation.

12 A. Frankly, Mr. Simard, we don't think
13 that way at all. The members of the Federation do
14 not feel that way whatsoever. We do feel, however,
15 that the matter should remain open as it is at the
16 present time.

17 Q. Now, you feel that United Kingdom ships
18 operating on the Great Lakes will have to pay
19 Canadian wages.

20 A. If they are going to stay here.

21 Q. That is what you are afraid of?

22 A. No, that is what we feel will happen.
23 If they become what we call a captive vessel, one
24 that gets in there and stays there, built espec-
25 ially for the trade, not suitable for the ocean
26 trade, as far as operating costs are concerned, well,
27 they will be close to yours.

28 Q. Why not have them Canadian-registered
29 if they are going to be the same?
30



1 A. This is a matter for the owners to
2 decide.

3 Q. Well, we want to have substantiated
4 your contention and see whether the ground that you
5 base your belief on and your opinion is firm. It
6 is not just a matter of thinking like that; it must
7 be based on something. Now, if the U.K. ships have
8 to pay Canadian wages, don't you think that they
9 might decide to operate on other trades and leave
10 the water transportation system here in a very weaken-
11 ed position because, you see, they might do that
12 for a year or two and if they find, as you mentioned,
13 all those labour problems which have occurred in
14 the past, and which are bound to happen in the
15 future -- I am a great believer of that myself --
16 the U.K. ships will say, "My God, if we are going to
17 have all that kind of trouble, if we are going to
18 have our crews there and have them spoiled, our
19 other crews, we will just get out of that trade."
20 Then if the Canadian shipowners and ship operators
21 have not built any fleet, what will happen to our
22 transportation system?

23 A. Mr. Simard, you have the idea that
24 we are going to come in there with hundreds of
25 ships and we are going to take all the trade.

26 Q. We don't know.

27 A. No, and as far as our members are
28 concerned, we do not think that is likely to
29 happen. There may be an odd ship go in there the
30 odd time to take on a cargo, but I do not think



1 you will see anybody going in there with a definite
2 plan.

3 Q. Now, in paragraph 4 of your brief --
4 I do not have to repeat it; it is the same one that
5 the counsel asked you about -- "It is unlikely that
6 a Canadian shipowner would be induced to engage in
7 the construction, in a Canadian shipyard, of a
8 fairly large carrier, suitable for deep-sea coastal
9 service, without some assurance that such Canadian-
10 built ship would be able to secure profitable em-
11 ployment during the entire year." Well, I know
12 of some group that would be very interested in
13 building ships to carry titanium ore from Havre St.
14 Pierre to Sorel only if it was for eight months.
15 And there is fluor spar from Newfoundland to Arvida.
16 And there might be some shipments to Montreal of
17 Gaspe copper, and shipments from the Chibougamau
18 area there at the end of the Saguenay River. A lot
19 of trades will be opened and people will venture
20 into those things if they have a certain assurance
21 that they will be able to keep their ships in opera-
22 tion because Canadian-built ships, their prices,
23 their rates are published, they are determined, but
24 others are not and they are just underrated. They
25 just come and sometimes it pays to have a dis-
26 tress rate when, instead of going on ballast, you
27 just take a cargo away from somebody else.

28 A. Well, now, you are talking inter-
29 national trade now.

30 Q. No, no, I am talking coasting.



1 International trade, we won't touch you on that; we
2 will leave that free. That might even be freer.
3 We would like to leave that to all the countries in
4 the world. Why should we give protection to some-
5 body? You are against protection for Canada. Why
6 give protection to the United Kingdom?

7 A. I was wondering if you were referring
8 to the international trade because most of the exports
9 that go out of Canada go to the United States in
10 the international trade.

11 Q. No, for instance, Havre St. Pierre to
12 Sorel, that is coasting trade.

13 A. Yes.

14 Q. If you don't mind, I disagree with this
15 paragraph 4 that a Canadian shipowner could not be
16 induced to engaged in construction of ships that
17 way.

18 A. What would happen, Mr. Simard, if
19 there were not sufficient Canadian vessels to oper-
20 ate between Havre St. Pierre and Sorel?

21 Q. They just give a license, like right
22 now they can give a license to non-British ships
23 if it is proven to their satisfaction that there
24 are no bottoms available. The same thing could
25 apply. They could give a license at any time. Now,
26 you claim that is the coasting trade was restric-
27 ted to Canadian-built ships it would increase the
28 price of them tremendously. On what do you base
29 that figure?

30 A. Well, at the present time, suppose

TRANSCRIPTION BY
R
P
MEMBER

for example you have only Canadian ships; well, they can charge anything they like.

THE CHAIRMAN: In what kind of trade?

A. The coasting trade. Suppose, for example, in the case of Havre St. Pierre to Sorel, no British ships are allowed, only Canadian ships, and the Canadian ships are few and far between. I mean to say there are not very many.

Q. Why are they few and far between?

A. I am saying they are.

Q. They are but they won't be. There will be competition between the coasting trade of Canada ships.

A. It would mean a heavy increase in the cost of transportation.

Q. But what would mean an increase? The cost of the ship?

THE CHAIRMAN: I don't see that.

MR. SIMARD: Q. I don't either.

A. It would cost more to move that type of material in a Canadian-built ship than it would at the present time in a British-built ship.

Q. I am not so sure.

A. Chartered on a time charter basis.

Q. I am not so sure.

A. Well, that is our contention. That is what we feel would happen.

Q. Because there are no Canadian ships to speak of and there are no ships being built in Canadian yards because the cost is so high, because



they don't build ships. Whenever a ship is built that poor ship has to carry the whole charges of the yard. If there was volume-building it would reduce the cost per ship.

A. Well, at the present time -- there were once two or three hundred ships, Canadian-built ships, and none of them are here now.

Q. Why?

A. They are making more money outside right now.

Q. It is not very Canadian.

A. When you are talking international trade you don't take Canadian ---

Q. I am talking coasting. I will leave the international to you, as I said before.

A. At the present time a Britisher can come in so if any time charterer can get a better deal in that case, naturally he will take it.

Q. I agree with you, but if the Canadians are discouraged from building ships and having ships, we will be at the mercy of a foreign country, and then suppose what you mentioned a few moments ago about only Canadians were to happen, that there would be only Canadians there and they would be able to charge any price they want, suppose there were no more Canadians, the United Kingdom could get any price it wanted. It cuts both ways.

A. Yes.

THE CHAIRMAN: We will adjourn now until



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10.00 o'clock tomorrow morning.

---Whereupon the hearing adjourned at 5.40 P.M.,
11th October, 1955.

ROYAL COMMISSION ON COASTING TRADE

VOL 12

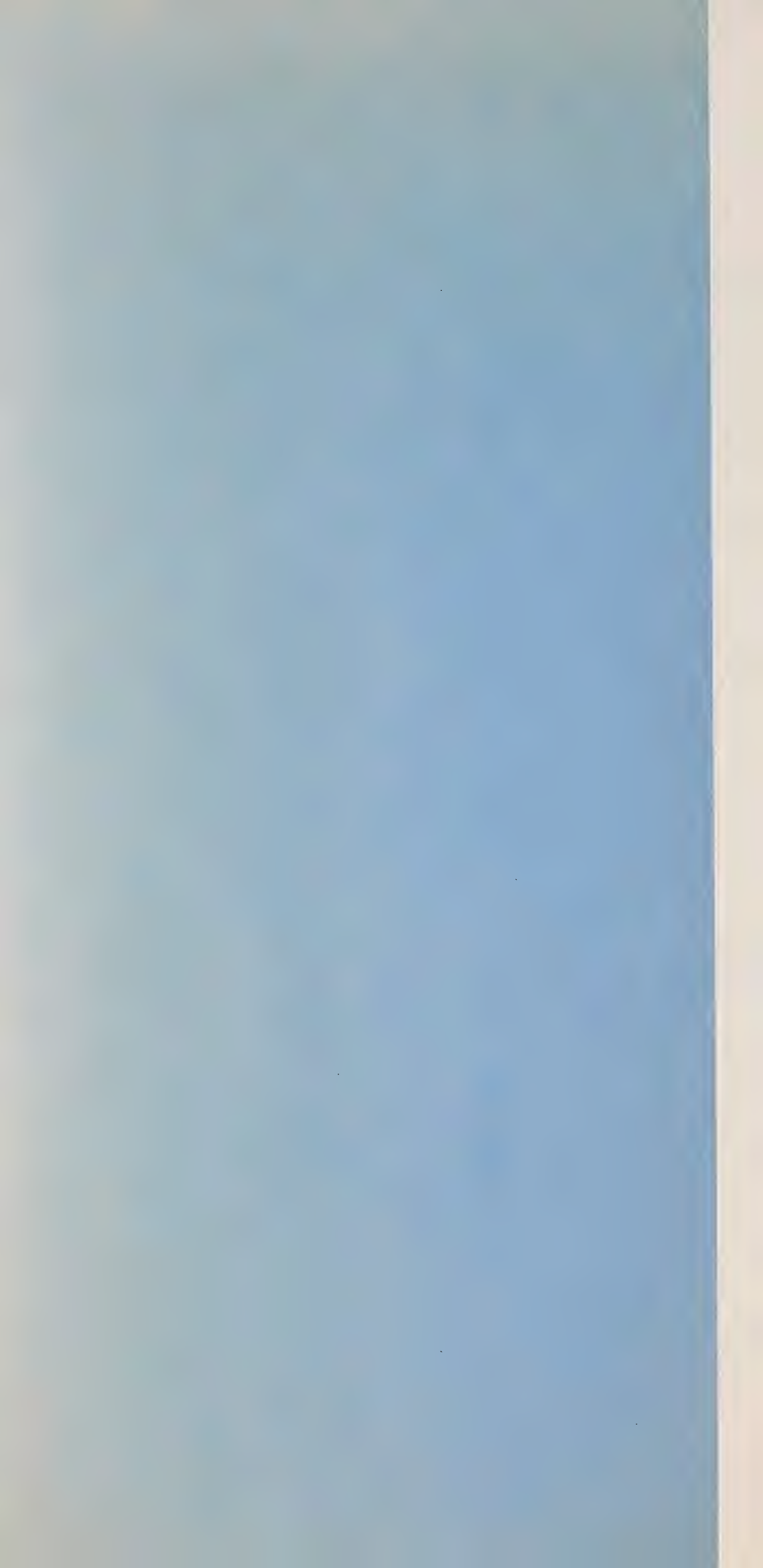
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WEDNESDAY, OCTOBER 12, 1955

1
2 ---The hearing resumed at 10.05 a.m.

3
4 MR. GERIN-LAJOIE: Mr. Chairman, before we
5 start with Canada Steamship Lines to-day, I believe
6 Mr. Brisset, who appeared as counsel for the
7 Shipping Federation of Canada yesterday, has a
8 statement to make to complete his case of yesterday,
9 if I may call it a case.

10 THE CHAIRMAN: Yes.

11 MR. BRISSET: With your permission, Mr.
12 Chairman, to complete the submission of the Shipping
13 Federation of Canada, I would like to read into the
14 record some information which the Shipping Federation
15 of Canada has obtained from the Chamber of Shipping
16 of the United Kingdom on three points which I think
17 will be of interest to this Commission. The first
18 has to do with the employment of Lascars and
19 Asiatic seamen on British ships, and the information
20 which we have by way of a letter dated August 30th,
21 1955, addressed to the General Manager, is the
22 following:

23 "The Registrar General of Shipping
24 "and Seamen gives a figure of about 43,000
25 "Asiatic seamen engaged in British ships.
26 "This is about 23 per cent of the total
27 "personnel serving in British ships. For
28 "ratings only, that is, excluding officers,
29 "the percentage is approximately 31 per cent.
30 "It is important, however, to remember



1 "two points in this connection. In the first
2 "place, the great majority of Asiatic seamen
3 "are engaged on vessels trading either in or
4 "through the tropics and the proportion even
5 "going to Canada must be very small indeed.
6 "It seems very unlikely that there are any
7 "vessels chartered in the coastal trade of
8 "Canada which carry Asiatics. Secondly,
9 "there is no justification for saying that
10 "the owner saves large sums of money in crew
11 "costs by employing Asiatics. The manning
12 "is higher and there are considerable costs
13 "incurred in repatriation and various
14 "special conditions attaching to the employ-
15 "ment of Asiatics. The chief point about
16 "their employment is that they are eminently
17 "suitable for the particular trades in which
18 "they are employed, namely, either in or
19 "through the tropics."

20 The next point has to do with the reservation
21 of trade in the Baltic or in the Mediterranean to
22 ships of countries bordering those seas. The
23 information is the following:

24 "Certainly from the experience of British
25 "shipowners trading in these areas there
26 "is no such reservation either in the
27 "Baltic or in the Mediterranean. The
28 "only possible exception to this might be
29 "the passenger ferry service between
30 "Denmark and Sweden which is operated in



1 "conjunction with the rail services of those
2 "countries, but I am sure you will agree this
3 "does not invalidate the general rule that
4 "trade between the countries bordering the
5 "Baltic is open to ships of all other flags.
6 "Similarly, we know of no restrictions of
7 "the kind referred to in the Mediterranean."

8 The third point is this one:

9 "Finally, you ask about the nationality
10 "of ships trading on the U.K. coast and the
11 "coasts of Europe on which British ships
12 "are allowed to operate. As you know, the
13 "U.K. coast is completely open to the
14 "ships of all flags and the specific
15 "countries you mention are therefore free
16 "to operate on the U.K. coast if they so
17 "wish. Most of the ones you mention are
18 "known to have traded on the U.K. coast during
19 "1954 and, in addition, ships of Eire, Liberia,
20 "Panama and Switzerland have also par-
21 "ticipated. You ask further whether the
22 "coasting trades of Sweden, Norway, Denmark,
23 "Germany, Belgium, Holland and Italy are
24 "still open to British ships. The answer
25 "in all cases is yes."

26 COMMISSIONER WICKWIRE: Mr. Brisset, that
27 last statement, that the coast of these countries
28 is open to British ships, is that for coastal
29 trade?

30 MR. BRISSET: That is for coastal trade.



1 This completes the submission of the Shipping
2 Federation of Canada.

3 MR. GERIN-LAJOIE: No questions.
4

5
6
7 MR. MUNDELL: Mr. Chairman, Canada Steamship
8 Lines Limited is the next brief. Subject to your
9 direction, Mr. Gilbert Jackson will represent the
10 Company and in calling witnesses.

11 Subject to your direction, Mr. Chairman, the
12 order we proposed to-day was Canada Steamship Lines
13 Limited, the Canadian Pacific Railway and Canadian
14 National Railways, and starting now with Canada
15 Steamship Lines.

16 THE CHAIRMAN: You are not proposing any
17 change in the order?

18 MR. MUNDELL: No change in the order as
19 arranged.

20 THE CHAIRMAN: Yes, Mr. Jackson.
21

22
23
24 SUBMISSION OF CANADA STEAMSHIP LINES LIMITED

25 ---Represented by Mr. Gilbert Jackson.
26

27 MR. JACKSON: Mr. Chairman, I appear as
28 counsel to-day for Canada Steamship Lines. I
29 should like to present Mr. T.R. McLagan, the
30 president of the company, as a principal witness.



1 We have available one or two witnesses in addition
2 whose testimony may be needed by the Commission on
3 technical points, but mainly this statement will be
4 made by Mr. McLagan, and with your permission I will
5 ask him to discuss very briefly some material which
6 he has got together with reference to the cost of
7 operating steamers on the Great Lakes, on which he
8 wishes to make a presentation this morning.

9 Would you take the stand, Mr. McLagan, please.

11
12
13 MR. T.R. McLAGAN, called,

14 MR. JACKSON: May I proceed, Mr. Chairman,
15 please?

16 THE CHAIRMAN: Yes.

17 MR. JACKSON: Q. Before discussing the
18 figures which we are contributing to the Commission,
19 Mr. McLagan, would you state very briefly what you
20 have collected for it?

21 A. Mr. Chairman, members of the Com-
22 mission, I realize that in your deliberations
23 across the country you have had much repetitive
24 information given to you. This morning represent-
25 ing our Company, I intend to try and supply you
26 with figures which will enable you to judge whether
27 or not the British ships can be operated much
28 cheaper than our Canadian ships in the Great
29 Lakes.

30 We received a letter from your Commission



1 asking us to supply information showing the expenses
2 and revenues and profits and capital employed of the
3 parent company, the Canada Steamship Lines, and
4 these have been supplied to you.

5 I also have here the make-up of the daily
6 costs of the newer ships we have built, and we say
7 the newer ships because we are sure of the construc-
8 tion costs, and we have made these things up on a
9 standard basis to show you the daily operating costs
10 including capital amortization cost, and we have
11 also given you the same statement of actual figures
12 for 1954, the reason for that being that it shows
13 the effect of fewer days of operation on the total
14 cost. In other words, if these ships operate 180 days
15 instead of 230 days, then of course the daily cost
16 of operation, due to the fixed nature of the cost
17 of these ships, is higher.

18 I would be glad to give these to the Com-
19 mission's counsel so that they have that for your
20 confidential information.

21 I have attempted to write out our submission
22 this morning. If you will recall, in our brief we
23 asked permission to submit some supplementary
24 information, and we have done that, and I have
25 copies here for you so that you can follow what I
26 have to say.

27 On pages 11 and 12 of our brief we have
28 commented on the various factors of cost which
29 influence the difference between operating costs
30 of U.K. and Canadian vessels.



1 Herewith we propose to attempt to evaluate
2 in dollars per operating season what these higher
3 Canadian costs amount to. We are dividing the
4 costs into two categories, that is, "Variable"
5 costs and "Fixed or Semi-Fixed" costs.

6 By "Variable" costs we mean those costs which
7 tend to vary directly with the days of operation.
8 By "Fixed or Semi-Fixed" costs we mean those which
9 are the same or almost the same for the season
10 irrespective of the days of operation.

11 We have considered a vessel of the Hochelaga-
12 Thunder Bay class and the basic wage rates for
13 these vessels are the same as those shown for a
14 10,000 dead weight ton Upper Lake Vessel in
15 Exhibit 8 of our brief, although they are 17,580
16 and 18,420 dead weight tons respectively.

17 I apologize for the correction on your copy,
18 but there are two kinds of tons, and they were
19 short tons that were put down originally whereas it
20 should have been long tons, we always speak in
21 long tons, and a long ton is 2,240 pounds.

22 Therefore, in discussing these costs you
23 will see that we have attempted to put down the
24 higher cost of the Canadian ships which we have
25 attempted to compute. You will realize that we
26 do not believe that there will be any difference
27 in fuel costs to British ships operating in the
28 Great Lakes from our ships. Although we are told
29 by the Seamen's International Union that British
30 standards of food are lower than ours, we have



1 no real proof, we do not know what it would mean in
2 money and we have not put anything in. We do not
3 know also whether there is much difference in stores,
4 although stores bought in U.K. will naturally be
5 lower. However, we compute that on the variable
6 costs there is a difference on an eight months
7 season of \$47,200.

8 In our fixed costs we have included the
9 captain and the chief engineer who are paid by the
10 year irrespective of how many months they operate.
11 Therefore, we take the total fixed costs, which are
12 the captain and the chief, the repairs, the
13 insurance, the fit-out and lay-up (because the
14 fit-out and lay-up is the same whether we operate
15 fewer days or a large number of days), the overhead
16 and the capital cost and the interest on the money.
17 We have taken the depreciation at 4% for 25 years
18 and the interest at $2\frac{1}{2}\%$, and we have computed that
19 there is an adverse difference of \$252,100.

20 This is our estimate of the advantage which
21 U.K. ships of a size comparable to our 17,000 ton
22 ships would have, which means that it is about
23 \$1,000 per operating day.

24 We remind you that even if Canadian owners
25 have a ship built in Great Britain at a lower U.K.
26 cost, the U.K. interest, we would still be at a
27 substantial disadvantage compared with British
28 operated vessels due to the remaining higher cost
29 of most of the items listed above. Wages, repair
30 costs and overhead differentials would remain



1 unchanged. The capital cost and insurance cost
2 figures would improve for the Canadian owner of a
3 U.K. built vessel but the capital cost both for
4 depreciation and interest would still remain higher
5 than for the British owner due to the restriction
6 of operations to an eight month season.

7 You have had appearing before you interests
8 carrying ore from Seven Islands to Contrecoeur,
9 Quebec, in U.K. flag ships for transshipment to
10 canallers. This situation is one of the best
11 practical proofs that U.K. ships can carry this
12 ore at lower rates than Canadians; because in
13 obtaining the business they underquoted Canadian
14 operators.

15 The Royal Commission have received infor-
16 mation regarding our costs and revenues, and I
17 believe that you are empowered to obtain similar
18 information from these U.K. flag interests who
19 have appeared before you. Whereas we know our own
20 costs and whereas we can only estimate the figures
21 for U.K. vessels, it is no doubt possible for
22 you to obtain factual information in respect to
23 the latter.

24 An objective comparison of the two sets of
25 factual information will either prove or disprove
26 our assertion that U.K. ships can operate much
27 more cheaply than ours.

28 Q. For the record, Mr. McLagan, this is
29 a comparison of ships of the same size?

30 A. That is right.



1 Q. It is not a comparison of the large
2 Canadian upper laker with some smaller freighter
3 coming in from salt water?

4 A. That is right. We have tried to place
5 these figures in such a way that it would enable
6 you to evaluate the difference and take into account
7 the fact that a British ship might be smaller. We
8 feel that we have set out for you an easy way of
9 proving or disproving the case.

10 When the Commission has satisfied itself on
11 this point we respectfully recommend to the
12 Commission that they reduce the effect of the
13 extra cost in Canadian built and operated vessels
14 to a bushel of wheat, a ton of ore or a ton of
15 coal and then finally to the end product, a loaf of
16 bread or a ton of finished steel. On the
17 Contrecoeur movement we compute the differential
18 in cost to be less than 30 cents per ton of ore
19 which in turn means less than 30 cents in the
20 cost of steel plate or a reduction of about 1/3
21 of one per centum in the price of steel.

22 Q. Now, you speak of comparing a large
23 upper laker with a vessel of corresponding size.
24 From what source do you get the British vessel
25 of corresponding size by means of which this
26 comparison can be made?

27 A. I don't quite understand you.

28 Q. Where did you get the picture of the
29 British vessel of corresponding size to the upper
30 laker?



1 A. We get the picture from the fact that
2 we know that when the Seaway goes through British
3 builders will be able to build larger ships. As a
4 proof of this, some considerable months ago, I
5 think 15 months ago, we ourselves were invited by
6 shipping interests in the United Kingdom to go into
7 partnership with them in operating British ships
8 through the St. Lawrence Seaway after its
9 completion. The basis of the proposal was that
10 we could undersell people on this Continent by the
11 use of what is known as a composite ship, and it
12 is interesting for me to quote to you from a
13 paragraph of their proposal which says:

14 "It is absolutely clear that there
15 "should be scope for the introduction of
16 "a considerable volume of European built
17 "tonnage into the Great Lakes as soon as the
18 "Seaway is opened and it is equally clear
19 "that at the beginning one should endeavour
20 "to produce a simple design of what appears
21 "to be the most suitable ship."

22 Let us not suppose that U.K. competition in
23 the Great Lakes will be restricted solely in
24 future to the size and type of vessel which has
25 been employed by them in the past in the much
26 smaller volume coastal trade on the Atlantic coast
27 and in the Gulf of St. Lawrence. As I say, we
28 ourselves have had this proposal made to us.

29 We refer you to page 1(a) of the brief,
30 B.80, Vol. II, setting forth our Company's



1 request, and we again reiterate of course that we do
2 not recommend to the Commission any interference
3 with the normal water carriage of goods directly
4 between Canadian ports and ports overseas.

5 We only ask that an internal trade, the
6 coasting trade - which is indigenous to Canada and
7 the North American Continent and as much a part
8 of our Canadian transportation system as our
9 railways, highways and airways - be reserved
10 henceforth for ships built and registered in
11 Canada.

12 At this time I would like to make some
13 further explanatory and amplifying remarks on the
14 contents of the C.S.L. brief. I have now finished
15 with the financial end of it, and in the brief a
16 number of exhibits have been included. The last
17 one is No. 12. We have also supplied certain
18 confidential documents to which I have already
19 referred. We wish to file additional exhibits
20 which we consider important for the Commission to
21 have and we will number them consecutively
22 from 12.

23 Sir, do you wish me to continue or do you
24 wish to deal with what I have said about the cost?

25 MR. MUNDELL: I think, Mr. Chairman, it
26 would be better if Mr. McLagan proceeded right
27 through, and any other witnesses in fact, if
28 that is agreeable.

29 THE CHAIRMAN: Yes.

30 MR. MUNDELL: Then, we can ask our questions



1 at the end to avoid the possibility of anticipating
2 another witness.

3 MR. JACKSON: Q. Would you file Exhibit 13,
4 Mr. McLagan?

5 A. I file as Exhibit 13 a public state-
6 ment by the Financial Post Corporation Service of
7 the affairs of Canada Steamship Lines, revised
8 July 15, 1954, and September 14, 1955, for seven
9 years ending December 31st, 1954.

10 MR. MUNDELL: Mr. Chairman, may I interrupt.
11 I think it would be advantageous if before
12 additional exhibits are put on the record, that
13 this document might be filed as an exhibit since
14 it contains a few tables and other statements.

15 THE CHAIRMAN: Yes.

16 MR. MUNDELL: And we had better mark it
17 first, and let the others follow on.

18 THE CHAIRMAN: It has been read in but the
19 tables have not been read.

20 MR. MUNDELL: This will be Exhibit 95,
21 this being a statement entitled, "Proposed Statement
22 by T.R. McLagan to be made at Montreal hearings,
23 October 12th, 1955, of Royal Commission on the
24 Coasting Trade". This is Commission Exhibit 95
25 and your numbers will follow on without getting
26 out of order.

27 MR. JACKSON: May we for this morning, for
28 our convenience, continue to talk about the
29 numbers as we have them here and leave the
30 Commission to re-number them afterwards?



1 MR. MUNDELL: If they are to be put in, we
2 have to give them an exhibit number. You can talk
3 about them, certainly.

4 MR. JACKSON: Is this Exhibit 95? Then let
5 us call the next exhibit we are to file 96, and
6 we will re-number for the Commission's benefit as
7 we go on.

8 MR. MUNDELL: Possibly what we could do is
9 put in our own number and in brackets "C.S.L. No."
10 so and so, and you refer to them now in your own
11 number.

12 MR. JACKSON: Thank you very much, if we are
13 permitted to do that.

14 ---EXHIBIT NO. 95: Document entitled "Proposed
15 Statement by T.R. McLagan to
16 be made at Montreal Hearings,
17 October 12, 1955, of Royal
Commission on the Coasting Trade.

18 MR. JACKSON: Q. Then, Mr. McLagan, will
19 you continue to call the Financial Post statement
20 of the Company's affairs Exhibit 13, and so forth?

21 A. However, this statement gives the
22 complete story of the Company's various interests
23 and subsidiary companies, and, as I have said, we
24 have supplied to the Commission the break-down
25 which they required.

26 MR. MUNDELL: I think possibly we should
27 number them as we go through, just to keep the
28 record straight.

29

30



---EXHIBIT NO. 96: Public statement by Financial Post Corporation Service of affairs of Canada Steamship Lines.

MR. JACKSON: Q. Now, Mr. McLagan, if the exhibit is in the Commission's hands ---

A. To keep the record straight, I make the statement that Canada Steamship Lines has not acquired a shipyard recently or since I have been President of the Company.

I point out that during the past seven years the Company's aggregate net earnings per common share (here I refer, for simplicity, to the shares existing before the share split in 1954) have been \$40.73. The Commission may note that in each of these years the shareholders have never been paid more than \$1.00 per share. They thus received in the seven years only \$7.00. The sum of \$33.73 per common share was retained for investment in the Company, to procure better ships and better facilities for handling and repairing or building new ships. This has been an act of faith on our part - for we face the competition of all comers, and there is no guarantee whatever that we shall continue to make a profit.

In the result, we have invested 83¢ out of every dollar which we made during the past seven years, in our ship and shore facilities, to give the people of Canada progressively better service.

Q. Now, sir, suppose the Commission were



1 to recommend the reservation of the coasting trade
2 and the Government to act upon it, would that
3 affect our relations, do you think, with the mother
4 country?

5 A. Well, I, for one, do not see the
6 reason for supposing that this would provoke
7 retaliation from Great Britain in the form of
8 trading penalties or restrictions. From Confedera-
9 tion onwards, but more than ever from 1939 to the
10 present moment, Canadians have manifested nothing
11 but the friendliest feelings towards Britain --
12 whose attitude towards Canada had been equally
13 cordial.

14 As an instance of the Canadian attitude
15 towards the restriction of our exports to Britain,
16 we need do no more than quote from a statement
17 made by Mr. C.D. Howe to the Eighteenth Congress
18 of the Federation of Chambers of Commerce of the
19 British Empire on June 16th, 1954:

20 "It became necessary, in the circumstances
21 "which then prevailed, for the United
22 "Kingdom and the other sterling area
23 "countries to erect restrictive barriers
24 "against dollar imports to protect their
25 "external financial position. As members
26 "of the Commonwealth, but not of the
27 "sterling area, we fully understood the
28 "difficulties which lead you to this
29 "course of action. We accepted the
30 "necessity of policies which impaired our



1 "own trade. The United Kingdom's program of
2 "import discrimination against dollar goods
3 "had a serious effect on the traditional
4 "trade which Canadian exporters had enjoyed,
5 "not only in the United Kingdom, but in
6 "other markets of the British Commonwealth.
7 "Even so, we felt that it was in our long-run
8 "interests to look ahead to a time when
9 "normal trade might once more be resumed.
10 "In a period during which we were cut off
11 "from traditional markets for many of our
12 "established export products, it was our
13 "established policy to behave as good impor-
14 "ters. We kept our markets open, sometimes
15 "with difficulty. Individual Canadian business
16 "men found it understandably difficult,
17 "sometimes, to see any reason why our
18 "market should be kept freely open to
19 "imports while they were being prevented
20 "from selling in their traditional markets
21 "abroad."

22 Q. That is Mr. Howe speaking in this
23 quotation?

24 A. That is right. Surely the presence
25 at all times of a permanent merchant fleet within
26 Canada's boundaries makes for greater safety of
27 the still free Nations and reservation of our
28 coasting trade to Canadian built and registered
29 ships would accordingly in these troubled times,
30 be of benefit to Britain as well as to Canada.



1 Further, the British Commonwealth Merchant
2 Shipping Agreement of 1929 obviously envisaged
3 that amendments would probably become necessary
4 due to the passage of time and made specific
5 provision for them, section 100 (c), reading:

6 "These recommendations are not
7 "intended to affect the right of any part
8 "of the Commonwealth to impose conditions
9 "of a general character on all ships
10 "engaged in its coasting trade, or to
11 "impose customs tariff duties on ships
12 "built in other parts of the Commonwealth
13 "or outside it, or to give such financial
14 "assistance as it thinks fit to its own
15 "ships."

16 Q. Now, sir, so much for the good humour
17 with which Britain would accept restrictions which
18 we might find it necessary to apply, just as we
19 have accepted with good humour restrictions which
20 they found it necessary to apply during recent
21 years. What of the possible interference of the
22 Company's recommendation with Britain's capacity
23 to buy Canadian goods?

24 A. Well, there seems to be an impression
25 in some quarters that Britain's readiness to
26 purchase Canada's goods is directly dependent on
27 such items as her earnings in the Canadian Coasting
28 trade. This, we submit, rests on a misunderstand-
29 ing of the basic trade and financial relationship
30 between our two countries.



1 A review of exports from Canada to Great
2 Britain and imports by Canada from Great Britain
3 shows that for something like 65 years Great Britain
4 has had an adverse trade balance on merchandise
5 account with Canada.

6 The trading between free nations is multi-
7 lateral and not bi-lateral. In time of peace Great
8 Britain has always obtained the dollars needed to
9 pay for her surplus imports from Canada by trading
10 with other customers of hers in many lands. She
11 does not limit her purchases from us to the dollars
12 which she can obtain directly from Canada and has
13 never limited them thus.

14 We file as Exhibit 14, to be re-numbered 97,
15 a statement "Nature of the Relationship between
16 Canada's Purchases from the United Kingdom and
17 Canada's Sales to the United Kingdom" (based on
18 British official records, and published by the
19 International Monetary Fund) together with photo-
20 stats of the relevant statistics published by the
21 Fund; and as Exhibit No. 15 a statement, "Trading
22 and Financial Relationship of the United Kingdom
23 with Canada; 1950 to 1954" (based on an official
24 Canadian record entitled: "The Canadian Balance
25 of International payments").

26 We maintain that if any consideration is to
27 be given to possible effects on our trading
28 relations with Great Britain, consequent upon
29 reservation of our Coasting Trade to ships of
30 Canadian Register, then it is Britain's actual



1 trading and financial relationships which should be
2 considered and not some false assumption (equally
3 dangerous, even if it is made unconsciously) that
4 settlements of trade balances between our two
5 countries are made bi-laterally.

6 ---EXHIBIT NO. 97: Document entitled "Nature of the
7 Relationship between Canada's
8 Purchases from the United
9 Kingdom and Canada's Sales to
10 the United Kingdom".

11 ---EXHIBIT NO. 98: Document entitled "Trading and
12 Financial Relationship of the
13 United Kingdom with Canada,
14 1950 to 1954.

15 Q. Now, for the main problem, I suppose,
16 which the Commission has to consider, which is:
17 what will happen to costs when the Seaway is
18 completed and how will reservation of the coasting
19 trade affect the cost of transporting goods in our
20 coasting trade?

21 A. Well, I have some general statements
22 to make in that respect. Many statements have been
23 made in public regarding the cheapening of trans-
24 portation costs by means of the Seaway. This is
25 such an important subject and so complicated that
26 I wish to take some time to discuss some of the
27 problems.

28 Ore, from Seven Islands to the Great Lakes,
29 to which previous reference has been made,
30 started to flow late in 1954. At present it must
be trans-shipped at Contrecoeur, Quebec, to
Canallers. Undoubtedly, when the Seaway is
completed, savings in transportation of this ore



1 will be made by means of the use through to final
2 destination of large ships and elimination of trans-
3 shipment charges. These savings presumably will be
4 passed on to the consumers of the ore. From my
5 experience I have never seen these savings pocketed
6 by the shippers.

7 No doubt some freight charges to and from
8 overseas ports to interior ports of Canada will be
9 reduced. We doubt if such savings can be accurately
10 assessed.

11 Most of the comments regarding savings in
12 transportation costs as a consequence of the Seaway
13 have been made in connection with moving grain from
14 the Lakehead to Montreal. We have referred to this
15 matter on Page eight of our Brief. The reasons
16 advanced, of course, are the use of large vessels
17 sailing direct to Montreal without trans-shipment
18 at the "Transfer Points".

19 Now it is important to realize that these
20 savings will not be made by the digging of the
21 Seaway alone. There are other contributing and
22 limiting factors which we wish to point out at this
23 time. Briefly, these factors are:

- 24 I Development of the Harbour of
25 Montreal to unload big ships.
- 26 II New storage facilities to replace
27 those becoming redundant at the
28 Transfer points.
- 29 III Elimination of congestion in the
30 Welland Canal.



1 IV Tolls to be charged on the new Seaway.

2 Q. You would like to review the position
3 to be created now for the Port of Montreal?

4 A. With the permission of the Commission
5 I would like to say a few words about it. As
6 regards the development of the Harbour of Montreal
7 and the new facilities which are required, we file
8 with you as Exhibit No.16 (to be re-numbered
9 Exhibit 99) a report on the problem which has been
10 sent to the Manager of the Port of Montreal. This
11 report has been signed by other large inland water
12 shipping companies and endorsed by the Shipping
13 Federation of Canada.

14 ---EXHIBIT NO. 99: Report on facilities required
15 at Montreal Harbour.

16 Briefly, the report states that to obtain
17 the lowest possible freight charges for grain to
18 Montreal only the larger ships can be used. Also
19 it states that to obtain proper dispatch berths
20 capable of unloading the same number of ships per
21 day should be created in the Port of Montreal as
22 at present exist at the "Transfer Points".

23 To make our points clearer we file here
24 as Exhibit No. 17 a map of the Great Lakes System
25 showing the "Transfer Points" marked clearly.

26 ---EXHIBIT NO. 100: Map of Great Lakes System
27 showing Transfer Points.

28 MR. JACKSON: Mr. Chairman, the room does
29 not lend itself well to showing this, but the
30 Commission may care to have Mr. McLagan make



1 some observations on this map so as to create the
2 necessary picture for the Commission of the area
3 which he is talking about.

4 MR. McLAGAN: I was going to suggest, Mr.
5 Chairman, that this information about Montreal may
6 not be entirely relevant to the coasting trade.
7 We thought it advisable to give you the information
8 chiefly to point out that there were other factors
9 than the digging of the Seaway which affect the
10 cost.

11 THE CHAIRMAN: We have already recognized
12 that in that we inspected the harbour facilities in
13 every place we have been in.

14 MR. McLAGAN: You wouldn't like me to read a
15 furtherance of this matter. We have filed the
16 report which I think explains it clearly.

17 MR. JACKSON: Q. I wonder, Mr. McLagan,
18 if you would very briefly in three or four sentences
19 give the perspective of these pages which perhaps
20 the Commission might find it rather tiresome to
21 go through.

22 MR. MUNDELL: Mr. Chairman, I think it would
23 be very useful to have the discussion now if Mr.
24 McLagan would go ahead.

25 THE CHAIRMAN: Yes, I think so. I would
26 rather you proceed.

27 MR. McLAGAN: For example, one large ship
28 per day can be unloaded at each of the ports of
29 Prescott, Kingston, Port Colborne and Sarnia.
30 Bear in mind that there are not any facilities



1 at present in Montreal to unload the large Upper
2 Lakers. That is an important matter.

3 For purposes of this discussion the "Transfer
4 Points" may now be considered as part of the
5 "Montreal System". Reference to the "Montreal
6 System" is primarily for the purpose of having
7 members of the Commission realize that to get the
8 benefit of the Seaway it is necessary to discard
9 the "Transfer Points" and their storage
10 accommodation of fifteen million bushels and
11 create in substitution sufficient dock and elevator
12 facilities in the Port of Montreal for unloading
13 the necessary number of big ships simultaneously,
14 and necessary berthing space there or nearby for
15 such Upper Lakers as may be queued up waiting their
16 turn. It is questionable if the Port of Montreal
17 is efficient for the handling of grain now. It
18 is certain that it is quite unfitted for the
19 purposes of tomorrow.

20 I don't think there is much use referring to
21 the map. Members of the Commission know where
22 Prescott, Port Colborne, Kingston and Sarnia are.
23 I think we can dispense with that.

24 MR. JACKSON: We have marked on the map,
25 Mr. Chairman, all the points that have been
26 mentioned in the explanation of the last two or
27 three minutes, so as to show the very wide area
28 within which the grain is gathered at Montreal for
29 which now has to be substituted a rebuilt port of
30 Montreal.



1 MR. McLAGAN: Before we leave the discussion
2 of "Post-Seaway Grain Transportation Costs" we
3 point out that about 40% of the grain coming to
4 Montreal or the St. Lawrence in the navigating
5 season is now being transported by rail from the
6 Georgian Bay. It is known as the Lake & Rail
7 Movement and bears the "Lake & Rail" rate which
8 is higher than the all-water rate and very much
9 higher than the forecasted all-water "Post-Seaway"
10 rate. We file as Exhibit No. 18 evidence of the
11 volume of the "Lake & Rail" movement.

12 ---EXHIBIT NO. 101: Document entitled "Receipts
13 at Montreal and other Lower
14 St. Lawrence elevators by
crop years, etc."

15 MR. McLAGAN: We merely direct the
16 Commission's attention to Exhibit No. 16, which
17 describes how the elimination of the "Lake & Rail"
18 movement will eliminate Georgian Bay from the
19 "Montreal System" and will require the unloading
20 berths at the Georgian Bay, which have been
21 incident to the "Lake & Rail" movement, to be
22 recreated on the St. Lawrence.

23 The threat of congestion in the future, which
24 overhangs the Port of Montreal, illustrates to
25 perfection the great importance of the time factor
26 in Canada's economy.

27 MR. JACKSON: Q. You are now talking not
28 about the Montreal system but about the entire
29 traffic on the Great Lakes?

30 A. That is right. I say that nowhere



1 is this more clearly to be seen than in the business
2 of raising and marketing our grain. Nobody typifies
3 more clearly the great importance of making a quick
4 start in each new season, than the prairie farmer
5 threatened by damage from early frost at harvesting
6 time, if his wheat is not sown fast enough in the
7 Spring.

8 Moreover, ever since wheat became an impor-
9 tant business, the need has been urgent from the day
10 when ice-free navigation starts, to get the remainder
11 of last season's harvest at once into consumption
12 abroad: to clear up export channels in time for
13 quick movement of next year's crop.

14 Similarly, when in the new season grain is
15 harvested, the need is urgent to get as much of it
16 as we can into consumption abroad, before the
17 November freeze-up on the Lakes.

18 The faster the grain can be shipped out by
19 steamer, the less will be the need to ship grain
20 expensively by rail; the lower will be the cost
21 of bringing our grain to market.

22 If, by some mischance, the channels in which
23 grain is to be moved become congested, there is
24 also grave risk (illustrated by Canada's present
25 great grain inventory) that the price of our grain
26 may be driven downwards, so that it may be drawn
27 off the market.

28 Many times in our history, the price of
29 grain has been depressed in such circumstances,
30 by more than the entire cost of bringing grain



1 from Winnipeg to Montreal. In no place is it more
2 evident, than in the grain trade, that time means
3 money.

4 The paramount need is to move grain fast.
5 If in the process of bringing about a minute
6 reduction in the cost of exporting wheat, we were
7 to permit the making of arrangements which would
8 slow down the actual movement of wheat, the prairie
9 farmers would certainly be rendered in consequence,
10 less well off than otherwise they might have been.

11 Therefore (and because there are very
12 similar situations in other lines of Canadian
13 endeavour) the carriage of all freight on the Great
14 Lakes has been organized, with a view to saving
15 time wherever and whenever this can be done. The
16 great Lake freighters begin unloading cargo
17 literally before they have been made fast at the
18 dockside; and having unloaded are en route for
19 fresh cargoes without losing a moment.

20 In Canada, where five million workers are
21 called on to develop the resources of half a
22 continent, there is almost everywhere the same
23 premium on fast carriage of goods - both materials
24 and finished products.

25 The time schedules of industries hundreds
26 of miles apart are geared together closely.
27 Delayed shipments from one place may slow down
28 work elsewhere in half a dozen places. Doubtless
29 the grain trade is the most vivid instance of
30 this truth. But brief reflection shows that in



1 our entire economy, time is a crucial factor: the
2 saving of time a most important need.

3 An integral part of our case for restriction
4 of the Coasting Trade and maintenance of the
5 Canadian inland fleet is the unique capacity of
6 the Upper Lakes fleet to load, transport and
7 unload great bulk cargoes superlatively fast and
8 at short notice.

9 As some evidence of the influence of slow
10 dispatch on the cost of transportation, we show
11 herewith the loss of time of C.S.L. ships waiting
12 to unload grain at Montreal.

13 October 1954 - 171 days & 6 hours

14 November 1954 - 172 days & 8 hours

15 1955 to August 31 - 343 days & 11 hours

16 Bear in mind, this is not unloading, this is waiting
17 to unload. These vessels are all canallers of
18 this company. The Commission will appreciate the
19 magnitude of the loss which will accrue if large
20 vessels are similarly delayed, because their time is
21 worth more than four times as much as the Canallers.

22 Q. Who pays for this loss of time? Does
23 the shipper pay?

24 A. No, the shipper does not pay. I stress
25 the point that on the Great Lake system loss of
26 time loading and unloading is for the account of
27 the shipowning companies. To the best of our
28 knowledge, nowhere else in the world is there
29 unlimited freedom of demurrage. This factor should
30 be considered by those who oppose restriction of



1 the Coasting trade.

2 Q. Now, when you get away from the Port
3 of Montreal what other causes of congestion are
4 there?

5 A. We have referred in our brief to the
6 fact that there are serious congestions in the
7 Welland Canal, and we have supplied to you as
8 Exhibits 19 and 19A a map of the Welland Canal in
9 two sections. I suggest that perhaps you do not
10 want me to go into the details of the structure of
11 the Welland Canal when we have supplied these maps
12 and it is only as a proof of how the locks are
13 constructed.

14 MR. JACKSON: We have here, sir, a plan of
15 the Welland Canal in two sections. I have no doubt
16 that you will see in due course everything that is
17 described here.

18
19 ---EXHIBITS 102A and B: Map of Welland Canal in
two sections.

20 MR. JACKSON: Q. Will you describe the
21 working of the Canal briefly for the members of the
22 Commission, Mr. McLagan?

23 A. I don't know whether I can do it
24 briefly. I can describe it. Do you wish me to
25 describe the Welland Canal?

26 COMMISSIONER BELANGER: Sure.

27 A. A ship entering the Canal from the
28 North will await clearance either immediately below
29 Lock 1, where there is sufficient anchorage space
30 for four Lakers or six to seven Canallers, or out



1 in open waters around the northern lighthouse.

2 When once it has entered Lock 1, the vessel
3 is not permitted to leave till Lock 2 has either
4 been cleared, or an oncoming vessel in Lock 2 is
5 ready for departure. Consequently, there can only
6 be two vessels, moving in opposite directions to
7 one another, in the reach between Lock 1 and Lock 2
8 at any one time. (The sole exceptions of this rule
9 are the Canallers, which can enter the single locks
10 in pairs.)

11 The same procedure applies to traffic between
12 Locks 2 and 3.

13 After leaving Lock 3, the vessel can move
14 at once into the twin locks (#4, 5 & 6) where traf-
15 fic moves in two directions, continuously.

16 Lock 7 is subject to the same limitations
17 as Locks 1, 2 and 3, namely, it can be entered only
18 after the preceding or oncoming vessel has cleared.
19 Moreover, there is a guard gate south of Lock 7
20 which, although primarily intended to maintain the
21 water levels, is used to bar the vessels from
22 entering the area between the guard gate and Lock 7
23 until the Lock has been cleared. That is, no more
24 than two Upper Lakers, or four Canallers, can be in
25 this area, from #7 to the guard gate lock at any
26 one time, unless they propose to drop anchor at
27 the docks east of the ship canal.

28 Having cleared Lock 7 and passed through
29 the guard gate, ships can proceed, subject to
30 regulation of speed by the Canal Master, directly



1 to guard lock (Lock #8) at Port Colborne.

2 The main function of the guard lock is to
3 protect the entire ship canal from changes in water
4 levels on Lake Erie. It is a single lock.
5 Nevertheless, it can be entered by two boats bigger
6 than the canallers. Some Upper Lakers can use it
7 in pairs, but not the so-called "600-footers".

8 The same procedure and traffic control
9 regulations apply to vessels entering from the South.
10 The waiting area for most ships coming in this
11 direction is behind the eastern breakwater in
12 Gravelly Bay.

13 By means of this procedure, not only package
14 freighters but also the largest ships with bulk
15 cargoes which used the Great Lakes are daily raised
16 and lowered three hundred and twenty-six feet, the
17 vertical distance from Lake Ontario to Lake Erie.

18 In effect, these vessels are lifted out of
19 the former and carried many miles over an escarpment
20 which divides the two lakes from one another; and
21 actually lifted right over the Welland River (which
22 flows through concrete abutments underneath the
23 Canal), and are finally deposited in Lake Erie
24 some thirty miles up river from Niagara Falls.

25 To lift a vessel of 20,000 tons during the
26 net time of lift, there is exerted in the working
27 of the locks an average of 5,600 horse power
28 continuously. Vertical distance involved is not
29 quite, but very nearly four times the vertical
30 distance over which a ship must be lifted when



1 passing through the Panama Canal.

2 There is nothing else to be found anywhere,
3 quite comparable to the transportation of great
4 ships across this Canadian escarpment, daily during
5 our season of navigation.

6 MR. JACKSON: Q. That is the real bottleneck
7 to which you are calling attention?

8 A. That is right. We are filing as
9 Exhibit No. 20 evidence of the time lost by C.S.L.
10 ships just waiting to enter the canal.

11 ---EXHIBIT NO. 103: Statement of time lost by C.S.L.
12 vessels waiting to enter Welland
13 Canal.

14 MR. McLAGAN: The number of ship days lost
15 for the current year up to August 31st, 1955, from
16 this delay alone, is fifty. It is regrettable such
17 figures are not available from all the other
18 companies using the canal.

19 As regards the total passage time through the
20 Canal, we file as Exhibit No. 21 the partial figures
21 which we have obtained from, and use by permission
22 of, the Canal Authority. These clearly show that
23 congestion began in the Canal at least eighteen
24 years ago; furthermore, that it has been worsening
25 at an accelerating rate during recent years. The
26 passage time in 1935 was about 7 hours and 44
27 minutes, and in 1953, 13 hours and 48 minutes. -
28 an increase of 78%. We submit also herewith
29 Exhibits Nos. 22, 23, 24 and 25 in which increases
30 in passage time are illustrated graphically.



- 1 ---EXHIBIT NO. 104: Statement of average time
2 taken to complete passage
3 of Welland Canal (figures
4 supplied by Canal Authority).
5
6 ---EXHIBIT NO. 105: Statement of average time
7 taken to complete passage
8 of Welland Canal by lakers,
9 downbound.
10
11 ---EXHIBIT NO. 106: Statement of average time
12 taken to complete passage
13 of Welland Canal by lakers,
14 upbound.
15
16 ---EXHIBIT NO. 107: Statement of average time
17 taken to complete passage
18 of Welland Canal by canallers,
19 downbound.
20
21 ---EXHIBIT NO. 108: Statement of average time
22 taken to complete passage
23 of Welland Canal by canallers,
24 upbound.
25
26
27
28
29
30

14 Q. This is only a partial record you are
15 able to give to the Commission?

16 A. This is only a partial record taken
17 from the Canal records.

18 We suggest that the Commission obtain from
19 the Canal Authority the complete record covering
20 the whole of the time since the new Canal was
21 opened; thus it can judge for itself the time
22 loss incurred, even with the present volume of
23 business.

24 Congestion in the Welland Canal has become
25 more critical because the volume of traffic has
26 increased. We file as Exhibit No. 26, statistics
27 of the number of passages, and amounts of freight
28 carried, annually, through the Canal. During the
29 years 1932 to 1936, the number of vessels of
30 all kinds which passed through the Canal



1 averaged 5,553. The corresponding average for the
2 years 1950 to 1954 was 8,512, an increase in only
3 eighteen years of 53 per cent.

4 ---EXHIBIT NO. 109: Statement of annual movement
5 of traffic through Welland
6 Canal.

7 MR. JACKSON: Q. What is the significance
8 of this?

9 A. We do not even guess at the number of
10 ships which, ten years hence, will wish to pass
11 through: we do draw to the Commission's attention
12 that whatever may be the changes in Canada's
13 coasting trade in the near future, there will
14 inevitably be many more ships engaged in foreign
15 trade desiring to go through the Welland Canal,
16 after the St. Lawrence Canals have been deepened.

17 These increases in passage time and our own
18 losses on that account this year are sufficient to
19 cause grave concern to all those interested in
20 lowering water transportation costs.

21 When speed matters so much the length of
22 time to pass through the Canal is of great
23 importance. The mere multiplication of ships in
24 the Great Lakes does not connote a corresponding
25 increase in our capacity to move cargoes on the
26 Great Lakes, for if to bring in more vessels is
27 to slow down all ships operating in the Lakes, we
28 have this as an expensive offset.

29 If U.K. ships can compete on a large scale
30 in the Great Lakes for cargoes being shipped in



1 our Coasting Trade, this can only make worse the
2 congestion which will be serious enough in any
3 case.

4 If the Coastal laws remain as they are now
5 it is likely that many smaller U.K. ships will use
6 the Canal and aggravate congestion. If the coasts
7 are restricted to ships of Canadian registry
8 Canadian lake operators will be encouraged to build
9 the largest Upper Lakers possible and thus carry
10 the tonnage with fewer vessels, relieving
11 congestion.

12 Q. Now, the fourth element you mentioned
13 as a factor regulating the future cost of transport
14 on the Great Lakes was the fact of tolls?

15 A. Well, offsetting whatever may be saved
16 by the use of big ships will be the tolls which
17 will be charged. At present there is no public
18 official information regarding the method by which
19 tolls will be levied.

20 Will they be levied on the actual ship's
21 cargo at any time or on the ship's total dead-
22 weight? Will they be charged against a ship
23 travelling in ballast? Will Canadian and American
24 ships be charged the same rate as U.K. and foreign
25 vessels?

26 Certainly the amount and method of charging
27 these tolls will have a far-reaching effect on
28 some aspects of our inland water transportation
29 system.

30 I think in Hansard it mentions some figures



1 between 35 and 50 cents a ton.

2 Q. In short, between the need for rebuild-
3 ing completely the facilities of the Port of Montreal
4 and minimizing the congestion in the Welland Canal,
5 and tackling the question of toll as wisely as
6 possible, the future costs of transport on the
7 Great Lakes are indeterminate?

8 A. I believe, of course, as the Commission
9 gets down into the unit cost, it will be struck by
10 the amount of the importance of tolls.

11 Now, we believe we have explained clearly
12 these factors which influence the cost of water
13 transportation distinct from the Seaway benefits.

14 Whatever the savings in carrying grain may be,
15 it is certain these will be passed on to the users
16 of grain or the grain grower. Competition among
17 the ship operators is intense and there is no way
18 by which these savings can be pocketed by them.

19 In our brief we have pointed out the com-
20 petition among Canadian owners. Competition which
21 has led to the building up of a very efficient
22 fleet. It is true that the operators are about
23 twenty-five in all, but this does not prevent
24 competition from being vigorous and free. We
25 remind the Commission that, in the manufacture of
26 automobiles in North America, there are today no
27 more than three great companies, whereas earlier,
28 during this century, there were dozens. It is
29 notorious that the three great competitors for
30 automobiles compete against one another much more



1 keenly than did the many companies which were com-
2 peting among themselves a generation ago. The
3 situation in Canada's Coasting Trade in the Great
4 Lakes is basically the same.

5 Also, to save themselves the operators must
6 carry the grain at the lowest possible cost, in
7 order to attract the grain down the St. Lawrence
8 and away from Vancouver.

9 Hitherto discussions have centred around the
10 cost of transportation relating to grain and the
11 consequences of the building of the Seaway. Little
12 has been said about the cost of transportation of
13 other bulk cargoes on the Great Lakes.

14 Canadian operators, in the face of post-war
15 inflation, have been able to keep the cost of water
16 transportation within reasonable bounds. Professor
17 MacDougall, at the hearings of the Commission in
18 Ottawa, has shown, for instance, that the ton mile
19 cost of carrying grain in 1955, corrected for the
20 change in ^{the} dollar, is the same as in 1935.

21 This has been accomplished by building bigger
22 and faster ships, some of which are referred to on
23 Pages 6, 7 & 28 of our brief. The part which the
24 C.S.L. has played is referred to on Page 6.

25 Costs on the Great Lakes have been kept down
26 by bigness. For instance, the ton mile cost to
27 the consumer of carrying ore from Duluth to Lake
28 Ontario is .170 cents per gross ton mile, which
29 is 16.6% less than the corresponding figure to
30 Cleveland of about .204 cents. Due to the time



1 delay in the Welland Canal the ton mile cost does not
2 give a true comparison, because 30 miles of Canal
3 is not the same as 30 miles of open water. For
4 example, the cost per 1,000 ton days to the
5 consumer for a ship carrying 20,000 tons into Lake
6 Ontario is \$218.75, which is 23% less than the cost
7 to Cleveland of \$287.16. In other words, the ton
8 mile cost between the Americans and ourselves is
9 not a true factor due to the restricted waters of
10 the Canal and the time factor involved.

11 If these new ships had not been built the
12 ton mile costs would be higher and indeed it
13 would have been impossible to have met the demands
14 of Canada's expanding industries.

15 On pages 23 & 24 of our brief we have shown
16 the fluctuation which takes place in ocean freight
17 rates.

18 The important point is that the Canadian
19 operators have been able to keep relatively low the
20 cost to the consumer through bigger and faster
21 vessels. The largest of these vessels has now
22 about reached the limit which can be handled by
23 the locks in the Welland Canal and new Seaway,
24 and we can not continue to increase our carrying
25 capacity per vessel. Canada is, through the new
26 Seaway, increasing the effective length of the
27 Canadian Coasts for large U.K. ships. The U.K.
28 operators will be able to build specialized ships
29 for our inland trade and lower their own costs by
30 "bigness", just as the Canadians have done.



1 It is popularly supposed that U.K. ships
2 using the Waterway will be of about 8,000 tons and
3 therefore no threat to the large Upper Lakers.
4 Such a supposition is, of course, a fallacy. It
5 will be possible for U.K. owners to enter the Lakes
6 with vastly different ships. We have here for
7 your inspection the design and specifications of a
8 composite ship which can carry in excess of 16,000
9 long tons of cargo at 25'6" draught. In the winter
10 time on the high seas it can carry 21,870 long
11 tons of oil at 30'6" draught.

12 Q. This is the conception of a ship which
13 you had in mind in making the initial comparison
14 between the season's cost of the big upper laker
15 and the season's cost of the corresponding U.K.
16 vessel?

17 A. If there is a vessel of that size. If
18 the Commission would like to see the drawing, Mr.
19 Lowery is here to show and explain it.

20 MR. MUNDELL: I would think Mr. Lowery's
21 explanation could come after.

22 MR. McLAGAN: I may say that this specifica-
23 tion and drawing were obtained by British people
24 asking us to go into partnership with them.

25 We have endeavoured to show that ships of
26 such size operating in Canadian waters with low
27 labour costs, low repair costs, low European
28 construction costs and year-round operation, can
29 undercut Canadian vessels of comparable size.

30 We reiterate here, if Canadian



1 ships cease to operate, then Canadians lose control
2 of the traffic to U.K. ships, which ships will
3 remain in our waters only as long as more lucrative
4 cargoes do not offer elsewhere. U.K. owners do
5 not have to revert to the Upper Lake type of vessel
6 to participate, as the composite ship gives them the
7 flexibility they desire.

8 With due regard to the time factor involved
9 in moving huge amounts of grain, coal and ore in a
10 very short time, is it a good thing for Canada to
11 lose control of her inland shipping and be
12 dependent upon foreign owners?

13 Already the people in the Prairie Provinces
14 have acknowledged publicly that they do not want
15 to be entirely dependent on foreign flag vessels
16 to carry their grain. They have also stated
17 publicly that they consider Canadian Upper Lakers
18 more efficient than other types. Furthermore, they
19 say they want reliability of service and the
20 confidence of established relationships.

21 Q. Would you like to say something about
22 the coasting laws affecting ships, and the
23 corresponding laws affecting other means of trans-
24 portation?

25 A. I would like to draw your attention
26 to the difference between the way we treat water
27 transport and air transport. We wish to add a
28 few remarks on page 26 of our brief dealing with
29 Anti-Cabotage. We stated that, as far as Canada's
30 commercial air services were concerned, Cabotage



1 is under restriction. Due to the British Commonwealth
2 Shipping Agreement signed twenty-five years ago,
3 Cabotage receives a different treatment as far as
4 the Coasting and Inland Waters are concerned.

5 Under the Agreement U.K. ships are permitted
6 to trade in Canada's coasts. If the ships are
7 built in the U.K. they enter our coasts duty-free.
8 If the vessels are built in foreign countries and
9 are placed on British registry they can trade in
10 Canada's coasts upon payment of a duty of 25%, and
11 no need to register them in Canada.

12 It should be understood clearly that U.K.
13 registered ships have the right under the Canada
14 Shipping Act to trade in the Canadian coasts.
15 Section 22 of the Act requires the consent of the
16 Minister of Transport before a ship built outside
17 of Canada can be registered in Canada. The point is
18 that U.K. registered ships do not have to be
19 registered in Canada to trade in the Canadian coasts.

20 Bear in mind that these U.K. registered
21 ships do not have to be owned by British subjects,
22 let alone Canadian citizens. The "loop-hole" is
23 that foreigners can form a company anywhere in
24 the British Commonwealth and in this way obtain
25 Canadian registry. May I refer you to the Canada
26 Shipping Act, Part 6(d), Page 15.

27 Surely it is anomalous that whereas a
28 Canadian ship operator cannot import a foreign-
29 built vessel and put it on Canadian register for
30 use in Canada's Coasting Trade without securing



1 first the permission of the Minister of Transport,
2 nevertheless a U.K. ship operator can put into the
3 Coasting Trade of Canada, without reference to
4 Canada's Minister of Transport, a foreign-built
5 vessel of U.K. registry on payment of duty.

6 Q. Mr. McLagan, could you quote an instance
7 by way of illustration?

8 A. I do know of an instance. I do not
9 know the name of the ship. I understand that other
10 witnesses are going to make available this specific
11 information to the Commission.

12 At this point we wish to draw the attention
13 of the Commissioners to another inconsistency in
14 policy governing commercial air services and Coastal
15 Steamship services.

16 We file as Exhibit No. 27, a copy of the
17 Aeronautics Act - Air Regulations, November 23rd,
18 1954.

19
20 ---EXHIBIT NO. 110: Copy of Aeronautics Act - Air
21 Regulations, November 23rd,
22 1954.

23 MR. McLAGAN: We refer in particular to
24 Part II, Division I, Para. 204, 1.(a) and 2. (a),
25 (b), (c), (d), which stipulate that the Chairman,
26 or Acting Chairman, and at least two-thirds of the
27 Directors of a corporation registering an air-
28 craft must be Canadian citizens. As well, the
29 policy of the Air Transport Board is to require
30 that sixty per cent of the capital stock of the
company is owned by Canadian nationals. We are



1 informed that the C.P.R. owning the stock of C. P.
2 Airlines, is considered to be Canadian.

3 As pointed out in our brief on Page 26, U.K.
4 commercial airlines operating through Canada are not
5 allowed to pick up and drop traffic between Canadian
6 points. These anti-cabotage air restrictions came
7 out of the International Civil Aviation Convention
8 in 1944.

9 Canada's Air Regulations are in marked
10 contrast to the Canada Shipping Act in so far as
11 regulations governing the registration of British ships
12 and the coasting laws are concerned. Surely what is
13 considered necessary for the air services should be
14 equally so for the coastal steamship services.

15 Q. Now, you are a ship builder in Canada
16 Steamship Lines as well as a ship operator?

17 A. That is correct.

18 I would like to say something about ship-
19 building, and I refer to page 27 of our brief, and
20 we feel strongly that the Shipbuilding Industry
21 must not be allowed to die.

22 We have spoken of the complex nature of
23 shipbuilding, of the special skills required and
24 of the high labour content in the building of a
25 vessel. We have given an example of how the higher
26 wages of Canada affect the cost of the ships.

27 We hope by this time members of the Com-
28 mission will have been able to examine for
29 themselves the meaning of "special skills".

30 Naval architecture and marine engineering



1 are professions in their own right and have little
2 relation to their counterparts on land. The same
3 thing applies to the majority of the work force:
4 platers, welders, pipefitters, joiners, electricians,
5 etc. A ship must stay upright in the water, it is
6 subject to stresses and strains by the movements
7 in water which are not exactly known. The ship is
8 not rectangular as is a building. The men who
9 build ships, not just the draughtsmen, all have
10 special skills and experience separate from those
11 who work on constructions ashore. Continuous work
12 is necessary to have an experienced work force
13 capable of doing the job efficiently, and more
14 important, capable of passing instructions on to
15 others if emergencies call for great expansions.

16 We emphasize the fact that shipyards are
17 essential to Canada. They are necessary to repair
18 and maintain not only Coastal and Inland ships,
19 but ocean-going ships. In our own Company each
20 year some \$1.5 million to \$3.0 million are spent
21 repairing ships. When ships require repairs the
22 shipbuilders can not send out to the nearest
23 Labour Union Hall and get men to do the work.

24 Much has been said about defence, and I
25 emphasize defence, and we feel that on defence
26 grounds alone the argument is so compelling that
27 it needs little else to support it.

28 The advent of nuclear power makes Navies
29 a greater striking force than ever before.
30 Nuclear power eliminates the necessity of



1 refuelling, making Naval striking forces more mobile
2 and enabling them to roam over a greater area than
3 ever before.

4 The guided missile has turned the submarine
5 into a weapon of bombardment. Hitherto ports have
6 been easily defended, but nuclear power and guided
7 missiles have changed all that.

8 If Navies are now to play a greater part in
9 attack than ever before, then the means to combat
10 them are greater than ever before.

11 You have had an opportunity of seeing some
12 work which is being done in the form of new anti-
13 submarine ships, but this is only a beginning.
14 A veritable Naval evolution is taking place and
15 taking place right here in Canada.

16 You may have seen the British Admiralty
17 estimate published in 1954 on the strength of the
18 Soviet Navy, which reads as follows:-

19 "It is believed that in two to three years'
20 "time the Soviet Navy will, in round
21 "figures, consist of:-

22 " 30 cruisers
23 " 150 destroyers
24 " 500 submarines
25 " 500 motor torpedo boats
26 "1,000 minesweepers
27 " 300 escort vessels
28 " Numerous patrol and landing
29 craft
30 "4,000 naval aircraft.

"Nearly all the ships are of post-
"war construction, and most of the aircraft
"will be jets

"In terms of weapons, in addition



1 "to all the orthodox guns, torpedoes, bombs
2 "and mines, the above forces may well be
3 "capable of using in varying degrees long-
4 "range torpedoes of a greatly improved
5 "type, mines with anti-sweeping devices,
6 "tactical atomic weapons and guided missiles,
7 "both offensive."

8 Also in yesterday morning's Gazette we have
9 the statement from the Supreme Allied Naval
10 Commander in Paris estimating that the Soviet Navy
11 has more submarines than the rest of the world put
12 together.

13 It is reported that Germany entered the last
14 War with 60 submarines in the Atlantic Ocean, to
15 bring this into proper perspective. We all know
16 of the damage done to us by these submersible craft,
17 but contrast the German strength with what is
18 reported to be the Russian strength.

19 To those who advise that shipyard work forces
20 in Canada should be dispersed if they cannot build
21 ships as cheaply as European nations, I say there
22 is only one word for them, and that is
23 "irresponsibility".

24 I realize this is a difficult question for
25 the Commission to decide, but difficulties have
26 never stopped Canadians from doing things, and
27 the defence angle cannot be put aside in this
28 ever-changing world.

29 And here let me say something about
30 efficiency. If efficiency were measured in



1 dollars without regard to man-hours, then Canada
2 will be found to have very few efficient industries.
3 The question is not so much - Can we do the job as
4 cheaply as possible? - but - Can we do it as
5 efficiently as possible? The U.S.A. was not built
6 into the most powerful nation on earth and its
7 people enjoying the highest standard of living by
8 following a policy of shutting down industry.
9 Right here it might be pointed out that we in
10 Canada are fortunate to have an aroused U.S.A. as
11 our neighbour. On the subject in hand they are
12 proceeding to make full use of nuclear power in
13 their Navy, because it enables them to extend
14 their Naval defences far from their shores and
15 vital gateways. As well they have just announced
16 a huge programme of merchant ship construction.
17 Fighting Navies and Merchant Navies go hand in
18 hand.

19 Our Canadian Shipbuilding Industry is
20 without protection or subsidization. Indeed, it
21 is worse off than other industries because our
22 laws protect the U.K. builder and not the
23 Canadian.

24 The industry needs the new construction
25 of the Coastal fleet to keep it going. If the
26 Coastal trade is not reserved, when the Seaway
27 is completed the shipyards on the Great Lakes
28 will not be able to compete on a price basis
29 for the products which they have made famous,
30 namely, the great Upper Lakers.



1 The Seaway will change, somewhat, our Company's
2 requirements. We will have to scrap older and
3 smaller vessels in favour of larger and faster ones
4 in order that we may meet rising operating costs.

5 We estimate that C.S.L. will have to scrap
6 seventeen small ships, involving 41,000 deadweight
7 tons, and to build seven larger vessels to take
8 their place.

9 On Upper Lakers we think we will have to scrap
10 ten ships of 113,800 deadweight tons and replace
11 them with five large ships.

12 I do not wish the Commission to think that we
13 are going to do this all at once. Naturally, we have
14 not got money to do it all at once, but we must
15 work steadily towards this goal, otherwise we will
16 not be able to reduce our costs.

17 It is our hope that these ships will be built
18 right here in Canada.

19 In conclusion, many persons with whom I speak
20 appear to suppose that the task of this Royal
21 Commission is to decide whether or not the Coasting
22 Trade of Canada should be restricted. But obviously
23 that is not the task of the Commission: for
24 Canada's Coasting Trade is now restricted and
25 always has been restricted to what are described
26 in the Canada Shipping Act as "British Ships".

27 In open competition with similar vessels
28 among members of the British Commonwealth this
29 patently means that our Coasting Trade, at present,
30 is actually restricted in favour of British



1 (non-Canadian) vessels.

2 The duty of 25% applied to non-British built
3 vessels introduced into the Coasting Trade also
4 patently means that at present in open competition
5 among the shipbuilders of the British Commonwealth
6 our Coasting Trade is also restricted in favour of
7 British (non-Canadian) shipbuilders.

8 The full effect of these restrictions will,
9 however, not be felt until the opening of the St.
10 Lawrence Seaway.

11 Surely the task of the Commission is now to
12 decide between three (3) distinct and separate
13 alternatives:-

14 1. Should the present restriction of the
15 Coasting Trade be continued after the opening
16 of the St. Lawrence Seaway?

17 2. Should the claim, that the importance
18 of cheap freight rates transcend all other
19 considerations, lead us to secure the
20 cheapest possible rates by removing all
21 restrictions from the Coasting Trade? (Thus
22 opening the trade to vessels of every nation
23 built anywhere.)

24 3. Should the two major considerations of
25 (a) Canada's defence needs and (b) the
26 great importance of the time factor and
27 dependability of transportation, lead us
28 now to restrict the Canadian Coasting
29 Trade somewhat more closely than at
30 present, by reserving this trade to vessels



1 built and registered in Canada?

2 We repeat, that if our Coasting Trade is
3 restricted to Canadian Built and Registered vessels,
4 freight rates will be low and stable; transportatinn
5 will be dependable; and our Security will be
6 improved.

7 We, therefore, ask the members of the
8 Commission to recommend accordingly.

9 That is all I have to say, sir.

10 ---A short recess.
11

12 MR. MUNDELL: Mr. Chairman, during the adjourn-
13 ment we had a short discussion with counsel and
14 Canada Steamship Lines do not propose to put any
15 more evidence forward. However, they have Mr.
16 Lowery here who can speak on the question of a
17 composite ship. I thought a better procedure would
18 be if we had Mr. Lowery's statement on the composite
19 ship before we carried on any examinatin.

20 Can you speak to that now, Mr. Lowery?

21 MR. LOWERY: Mr. Commissioners and Gentlemen,
22 I had not expected to speak on the composite ship
23 because I had thought that Mr. Bustard's comments
24 yesterday would have been sufficient but Mr.
25 Mundell actually saw me last night and he thought
26 perhaps a few more remarks on the matter might be
27 welcome.

28 MR. MUNDELL: May I interrupt, Mr. Lowery.
29 I should say I asked Mr. Lowery to assume we know
30 nothing about a composite ship and not to hesitate



1 talking down as far as counsel are concerned.

2 MR. LOWERY: In any event, sir, I apologize
3 for the scrappy way in which I will give this
4 evidence because it was prepared in bed last night.

5 The term "composite ship" is to some extent
6 a misnomer. I, myself, prefer to call them dual or
7 multiple purpose ships.

8 We have had composite ships of many types.
9 We have had composite ships which were composite in
10 so far as materials of construction were concerned
11 and we have had ships which were composites of wood
12 and iron, of iron and steel, or of steel and
13 aluminum.

14 We have also had composite ships in which the
15 basic type has been unchanged. In other words, we
16 have either been talking about ocean-going ships or
17 Great Lakes ships, but ships have been composite in
18 so far as the cargoes they can carry and in recent
19 years on the ocean we have had many types of composite
20 vessels; with the combination of ore and oil being
21 the most popular.

22 As supporting evidence of this fact I quote
23 from a paper presented to the Society of Naval
24 Architects and Marine Engineers in New York this
25 Year. The paper is on the modern ore carriers and
26 by Mr. J.J. Henry; and on page 14 Mr. Henry has
27 this to say.

28 "In addition to combinations which
29 "provide for liquid cargoes --- "
30 That is, ore v. oil --



1 "iron-ore carriers have been designed to
2 "accommodate other bulk cargoes as well.
3 "One illustration of this type of vessel
4 "is shown in a recent design by Kockums,
5 "as illustrated by the midship-section
6 "sketch."

7 He points out that the ship is designed to
8 carry other bulk commodities such as grain, coal,
9 bauxite, etc., and another combination vessel which
10 is fitted for iron ore, sugar and grain is the
11 Sugar Line class as described elsewhere in this
12 paper.

13 MR. MUNDELL: I wonder if it would be helpful
14 if we could have a copy of that paper filed.

15 MR. LOWERY: I can hand this paper in after-
16 wards. It is the only copy I have. If it is of
17 interest to the Commission I would be very happy
18 to do that.

19 THE CHAIRMAN: Exhibit 111.

20 MR. LOWERY: On Table I of this paper are
21 given the principal particulars of many large
22 vessels built in recent years and eight of these
23 are listed with the names of the vessels, their
24 builders and their dimensions, and all of these
25 vessels are combination carriers. They vary in
26 length from 560 feet in length up to 632 feet in
27 length, and I feel that this would at least make
28 the Commissioners happy in their minds that the
29 idea is quite accepted.

30 On the Great Lakes, however, we have also



1 had combination vessels. Most United States vessels
2 are either designed to carry ore exclusively or to
3 carry grain exclusively, but the majority of the
4 Canadian Upper Lakers are combination vessels in
5 so far as they are designed to carry ore and grain
6 and all of the Canada Steamship Line's vessels
7 are designed on this basis.

8 I prepared some sketches which I thought
9 might help you to appreciate the difference. This
10 sketch shows how the midship section of the ship
11 carries ore. It has a relatively small limited
12 space because the ore is very heavy and dense.
13 When the ship is not carrying ore it carries water
14 ballast in the space around the outside and that
15 is a Great Lakes ore carrier.

16 The Great Lakes ore-grain carrier which is
17 a similar kind or a similar ship, as you will see,
18 the hold is much greater in area and what happens
19 there is that the ore lies in the bottom of the
20 cargo hold, filling much less ---

21 MR. MUNDELL: I think possibly in order that
22 the transcript will be intelligible we should
23 have these in as exhibits so we will know what
24 they are.

25 MR. LOWERY: I did not mean to put these in
26 as exhibits, but they can be. There are three
27 of them.

28 MR. MUNDELL: I think it would be advisable,
29 otherwise the transcript will only be meaningless.

30 MR. LOWERY: The first one is the midship



1 section of a Great Lakes ore carrier.

2 ---EXHIBIT NO. 111: Pamphlet prepared by Mr.
3 J.J. Henry.

4 ---EXHIBIT NO. 112: Sketch of midship section of
5 Great Lakes ore carrier.

6 MR. LOWERY: The second one is the midship
7 section of a Great Lakes ore-grain carrier.

8 ---EXHIBIT NO. 113: Sketch of typical midship
9 section Great Lakes ore-grain
10 carrier.

11 MR. LOWERY: The disadvantage of this, and it
12 obviously must have disadvantages, compared with
13 this, is that that ship is carrying iron ore.

14 MR. MUNDELL: Q. The disadvantage of the ---

15 A. Of the combination vessel as against
16 this one is that ---

17 Q. That is Exhibit 112.

18 A. Is that when the vessel is carrying
19 iron ore the centre of gravity of the iron ore is
20 much lower than on this one ---

21 MR. MUNDELL: That is Exhibit 113,

22 A. And so the vessel is much stiffer and
23 not so pleasant in its actions. Secondly, the
24 amount of water ballast which this ship can carry
25 is restricted, nevertheless many operators,
26 including our own company, consider that the
27 advantages of this type, which gives greater
28 flexibility, far outweigh the disadvantages and
29 so we are ready to have on the Great Lakes the
30 simplest of combination types, that is, the ore



1 and grain.

2 With the coming of the St. Lawrence Seaway,
3 further composite types or multiple purpose ships is
4 envisaged. The first one which would come to one's
5 mind is a composite which would carry alternatively
6 ore or oil and would also operate both in the deep
7 sea and on the Great Lakes so that we have introduced
8 an additional variable. On all the present
9 composite ships the variable is only in the type of
10 cargo. We are now introducing a variable which
11 means the ship is going to vary in two different
12 mediums, in two entirely different considerations.

13 At this time I would like to explain very,
14 very simply, and this is a great over-simplification
15 of the position, that for a ship of any given speed
16 the weight of the cargo, whatever the cargo might
17 be, is generally determined by the vessel's length,
18 beam and draught. That is, the length of the ship,
19 its beam and its draught for any given speed
20 determines the weight of the cargo it can carry.
21 It does not matter whether it is carrying ore or
22 grain or oil, but the space available for cargo
23 is dependent upon the beam, the length of the ship
24 and the depth of the ship, and not upon the
25 draught.

26 The complexity in design of a composite
27 vessel is arranged and the bringing up of varying
28 requirements to carry cargoes by different densities
29 which, whilst they may be of the same weight,
30 require different spaces to accommodate them.



1 For example, iron ore only requires some $18\frac{1}{2}$ cubic
2 feet to store a ton of iron ore. To store one ton
3 of oil in ocean tramps requires about 48 cubic feet.
4 This varies, of course, depending upon the type of
5 oil we are discussing. The amount of space required
6 to carry grain is about 45 cubic feet to store one
7 ton of grain.

8 Now, it can be seen that if the cubic capacity
9 is to be provided for ore and additional cubic
10 capacity is to be provided for oil, this ship would
11 require a total of $18\frac{1}{2}$ cubic feet per ton plus 48
12 cubic feet per ton; it would require a total internal
13 cubic capacity of $66\frac{1}{2}$ cubic feet per ton, provided
14 we were arranging that the ship would carry the
15 same tonnage of each alternative cargo at the same
16 draught.

17 Most tankers, however, do not use the full
18 available length of the ship, they have got a space
19 at the end, because they get down before they
20 require the total cubic. The method by which the
21 composite ship is made capable of carrying extra
22 weight is also entirely by making it a little
23 deeper so that an ocean-going composite ship of a
24 similar capacity to these others would have a
25 midship section like this.

26 MR. MUNDELL: That will be Exhibit 114.

27
28 ---EXHIBIT NO. 114: Sketch of midship section of
29 of ocean Great Lakes ore/oil
30 carrier.

MR. LOWERY: This shows a depth of the



1 other vessels of about 37 feet six. This has been
2 increased in depth six feet six inches and has been
3 increased in beam by five feet.

4 However, these others which I have shown, as
5 well as a ship like the T.R. McLagan, 715 feet in
6 length, has a limited beam -- the ship has only a
7 70 foot beam. It could possibly have been a little
8 wider with the Welland Canal but we did not make it a
9 little broader because it gets around the curves
10 better so this ship has been made with the 75 foot
11 beam, 44 foot deep, and the bulkheads which were
12 previously out on the sides have been moved in and
13 the ship, when it is carrying ore, occupies this
14 space in the middle, and when it is running in the
15 oil trade it is occupying these spaces on the
16 outside.

17 When operating in the Great Lakes it would
18 operate at its draught shown in red, and when
19 operating on the sea it would operate on this draught
20 shown in black.

21 We have measured what effect it has upon the
22 ship. It obviously reduces the weight of cargo
23 which can be carried as a single purpose ship by
24 the weight occasioned by the increase of depth and
25 by the weight of any features special to either of
26 the two types of cargo which it is to carry.

27 It also slightly increases the cost of the
28 ship by the cost of the differences, and it slightly
29 increases the operating expenses by increased
30 capital which is involved, that is depreciation,



1 interest, etc., but other than that the operating
2 expenses are virtually the same.

3 The degree of disadvantage which the com-
4 bination type vessel suffers over the single type
5 purpose is dependent upon how far apart the two
6 requirements are in the first place.

7 At this time I think it should be noted that
8 no dual purpose ship will show up as well as a
9 single purpose ship in any analysis based on cost
10 per ton mile or on cost per ton day or annual cost
11 against annual income, if it is assumed that the
12 ship would have full and efficient occupancy in
13 any case. So the purpose of designing and building
14 a dual purpose ship is not because on paper it can
15 earn more; it is almost entirely due to the fact
16 that there is considerable doubt in the minds of
17 ship owners who are placing a very large capital
18 investment in a ship. They are most reluctant
19 to put it in a single purpose ship. They would
20 far rather have a dual purpose ship which will give
21 flexibility over the many years of its life,
22 because at all times they are thinking of a ship
23 as it is to-day, but a ship has 25 years or 30
24 years of life ahead of it.

25 In recent times, in spite of the disadvan-
26 tages which I have enumerated, the owners have to
27 a large degree involved themselves in the building
28 of composite vessels and at this time, so that
29 you may be sure this is not just my own opinion,
30 I will read again from Henry at page 11 in which



1 he states:

2 "Many of the ocean-going iron-ore carriers
3 "in recent years have been fitted as
4 "combination iron-ore carriers and tankers.
5 "The most usual arrangement is to carry oil
6 "in L-shaped tanks consisting of wing
7 "spaces and inner bottom with watertight
8 "centreline vertical keel."

9 These are the L-shaped spaces he is referring to
10 there.

11 Also I would say that the reasons for this
12 are many and in my opinion they are affected by
13 these reasons. The first reason is the possibility,
14 in the ocean particularly, of the ship obtaining a
15 return cargo; so that it can carry iron ore from
16 one point to another and make a run in ballast and
17 then pick up oil on another leg of the run and
18 probably run in a triangular route; but over-
19 riding all of these special considerations, I
20 think, is the increased flexibility of operation;
21 the fact that the large bulk of cargo moved in the
22 world is of a seasonal character and the owner
23 requires flexibility.

24 I think I should show how important we con-
25 sider flexibility to be and I think Mr. McLagan
26 does not know I propose to refer to this. The
27 latest ship we have built for the Lakes, the Fort
28 Henry, is an example of how you cannot work the
29 answer out on paper. We designed the Fort Henry
30 to be, as far as we were aware, the most



1 efficient package freight vessel of its type in the
2 world, and we believe there is going to be plenty
3 of work for it, but we still made a ship capable of
4 carrying grain.

5 Now, to make a ship capable of carrying grain
6 it slightly increases its cost, it slightly increases
7 the operating expenses, and it slightly reduces its
8 efficiency as a package freighter, so that on paper
9 the Fort Henry cannot compete with another Fort
10 Henry which we might have designed without these
11 factors, but we believe that the increased
12 flexibility was well worth the change and I do not
13 know of any given formula which may be set up to
14 show the value of this increased operational
15 flexibility.

16 I would also like to quote from another
17 technical paper. This one was read before the
18 British North East Coast Institution of Engineers
19 and Shipbuilders by W.A. Stewart, Naval Architect,
20 to Sir Joseph Isherwood Company, and the paper is
21 entitled "The Development of Ore Carriers in
22 Recent Years", and was read on the 5th of April,
23 1954.

24 Mr. Stewart says the following:

25 "I firmly believe that in the next
26 "two years we shall see many more ore
27 "carriers built as there is not sufficient
28 "tonnage available for the amount of ore
29 "that will have to be carried from abroad.
30 "The trend to-day in building this type



1 "is to make it a combination ore and oil
2 "carrier which is a more valuable investment
3 "to the owners.

4 "It has been quite a problem endeavour-
5 "ing to balance off the carrying capacity
6 "of ore and oil, bearing in mind that the
7 "ore compartments are for ore only and also
8 "that for ore, the predominating factor,
9 "the cubic feet per ton varies with different
10 "grades of ore. However, the vessel's
11 "unused capacity can be utilized for the
12 "carriage of oil, this capacity is consider-
13 "able, especially in the large carriers, and
14 "well within the limits of some of the modern
15 "tankers now being built. Thus, in the
16 "off season, in such places as Labrador for
17 "four months in the year, the vessel can
18 "carry oil, if worth while."

19 The advantages of the composite vessel cannot
20 be worked out easily or on a percentage basis or
21 mathematically so far as I am aware, but in view of
22 my foregoing comments, I hope the Commissioners
23 appreciate the fact that British owners who are
24 thinking of coming into our Great Lakes bulk trade
25 have three alternatives as I see it.

26 They can either come into the Great Lakes
27 trade with the present type of shipping, which is
28 not being considered at this moment, or (2) they
29 can use the vessels which are precisely the same
30 as those which we are using.



1 We have had evidence to show that ships can
2 be built in Britain and can be brought across here.

3 These big upper lakers, which would be pure
4 upper lakers, if they were built in the United
5 Kingdom and they flew the U.K. flag, could operate
6 more cheaply than Canadian. That is the second
7 alternative which the British ship owner would
8 have.

9 The disadvantages which the British ship
10 owners face in this operation would be, first of
11 all, the fact that they would be purely lake
12 vessels and ships and capital would necessarily be
13 tied up in the Canadian Great Lakes and they would
14 lack flexibility of operation in so far as the
15 owner is concerned.

16 There is also the factor that has been
17 mentioned many times before the Commission, the
18 problem of whether or not the owner can be certain
19 if his ship was locked up permanently in the Great
20 Lakes he could pay the lower rates which would
21 apply to a U.K. vessel.

22 The third alternative which the British ship
23 owners could think about would be to use a composite
24 or a dual purpose vessel and operate in the Lakes
25 carrying ore in the summer, and this is taking
26 one simple alternative, and outside in the winter
27 carrying either ore or oil.

28 That would be the simplest type of vessel
29 and if such a vessel could show on paper anything
30 like a similar net return to that which would be



1 available from the pure laker type in alternative
2 No. 2, then the composite vessel would possess the
3 following advantages to the British ship owners.

4 It would possess the advantage of flexibility
5 both with ship and with capital, and it would to a
6 large degree remove from the owner the worry of
7 the crew salary problem because the ship would not
8 be locked in the Great Lakes and it would not
9 necessarily be kept in the Great Lakes trade
10 during the whole operating season, because they
11 could pick up ore from Seven Islands and take it
12 to Hamilton on one trip and then the next time they
13 went back to Seven Islands they could take the ore
14 to Baltimore or any other place and so in order to
15 become quite certain and relieve themselves of
16 being accused of having a ship entirely locked
17 within the Great Lakes.

18 The point which I am trying to make is that
19 I do not think it is necessary to prove that the
20 composite ship would be better on a financial
21 analysis than would the pure vessel, because the
22 composite vessels are not designed for that
23 purpose, even if you worked it out economically
24 on the basis of the ship being fully occupied at
25 comparable freight rates.

26 If we compare the dual purpose vessel, the
27 one I have drawings for here, with the pure laker,
28 I think the picture might be as follows and once
29 again I would say I worked these out at home and
30 the figures may not be entirely accurate but I



1 am quite sure they will demonstrate the point which
2 I have in mind.

3 A pure laker, having the same length and
4 breadth as the composite vessel proposed, that is a
5 length of 640 feet and a beam of 73 feet and
6 probably would be 37 feet six inches deep, would
7 carry about 21,000 tons at 25 feet six draught.
8 This is to be compared with the 16,900 tons which
9 the composite vessel would carry at the same
10 draught.

11 Now, designing is not done in this fashion
12 but in broad principles this is what would happen.
13 The additional depth which we have added to the
14 ship and the extra oil piping we have put on would
15 weigh about approximately 1,100 tons. That would
16 reduce the laker carrying capacity by 1,100 tons.

17 In addition to making the hull form of the
18 ship more suitable for operating in the ocean, the
19 hull form would be finer, and in being finer we
20 would reduce the displacement of the hull or
21 support which we can afford and we would end up
22 with the fact that the ship would have some 3,000
23 tons less buoyancy and the ship would weigh 1,100
24 tons more, so the net or actual tonnage carried
25 would be 4,100 tons less. This is about 19% less
26 than what actually could be carried, so that
27 during the summer months the composite vessel
28 would carry about 81% of what the pure laker
29 could have carried, but in the winter it can carry
30 23,400 tons of ore at a draught of 30 feet six



inches; can carry that weight of ore or that weight of oil. This is 12% more than the laker carried in the summer.

In other words, the composite vessel in winter can carry 112% more than the basic laker which we are considering. Taking the cargo carried by the laker then as being 100% we find the composite ship's potential relative percentage of cargo to be carried in a 12 month period is in the summer 81% to which has to be added five-sevenths of 112%; that is the five winter months against the seven months, which gives 80%, which shows that the composite vessel in a 12 month season can carry 161% of the weight of cargo which the pure laker can carry.

Of course, that does not mean that the earnings would be 161%. The earnings would be dependent upon the relative prospects outside and inside, but generally speaking the indications would be that it would be more than 161% difference.

It is true that the composite vessel has to be operated for five additional months, but the additional expenses for the seven months of operation are very, very little. They are almost the same cost, and if the fixed charges have been consumed during the seven summer months, the depreciation, interest and other matters, then the ship only requires during the winter to cover its variable expenses and I feel that it is self-evident that the composite ship would at least be



1 as good a money earner as would the pure laker.
2 It would have increased flexibility and if the
3 Canadian operators are afraid of the British owners
4 competing against them with the pure lakers, then
5 we are afraid to compete against them if they are
6 using composite vessels.

7 It seems to me there may be some doubt about
8 whether or not the composite vessel might be an
9 advantage for the Canadian owners to build in this
10 trade, but I can see no doubt but what it is very
11 good operation for the British ship owners.

12 I think, Mr. Commissioner, that is about all
13 I have to say on this matter at the moment unless
14 you have questions to ask.

15 MR. MUNDELL: I thought with your permission,
16 Mr. Chairman, we would ask Mr. McLagan some
17 questions, and then possibly Mr. Lowery.

18 THE CHAIRMAN: Yes.

19 MR. MUNDELL: Q. Mr. McLagan, I thought we
20 would start with the shipbuilding side and then go
21 over to the ship operating side if we may. Firstly,
22 how many yards has Canada Steamship Lines?

23 A. Five.

24 Q. Wholly owned subsidiaries or directly ---

25 A. There are five controlled -- wholly
26 owned subsidiaries.

27 Q. How do you allocate your work amongst
28 the yards? Do they compete with each other
29 or not?

30 A. You mean on our own ships or any



1 ships?

2 Q. Your own ships?

3 A. Well, it depends on the size of the
4 ship. In the first place, the Davie Shipyard in
5 Quebec, they cannot build the upper lakers because
6 they cannot get through the restricting canals.
7 The large upper lakers can only be built at Port
8 Arthur and Midland. The drydock into which they
9 are launched at Collingwood is not large enough and
10 also the labour costs are different from one point
11 to another.

12 Q. Could you run over the operations of
13 each of the yards first, just generally?

14 A. The Port Arthur shipyard is in a
15 strategic position and very important to us and to
16 the shipping industry because it has a large drydock
17 which is capable of taking care of the larger
18 ships from Port Weller at the beginning of the
19 Welland Canal which go to Port Arthur, outside of
20 the American Coast, so the Port Arthur shipyards are
21 very important to us.

22 We have attempted to diversify the Port Arthur
23 shipyards into lines of industry to keep them going
24 because the shipbuilding is not on the average
25 sufficient to occupy it. It also is an important
26 repair centre for us.

27 Q. How about Midland?

28 A. The Midland shipyard is shut down.
29 It has the advantage of being able to build the very
30 large ship but if we were to build another ship of



1 say 715 feet length or 75 foot beam or 73 foot beam,
2 we would have to make some changes at Port Arthur
3 to build it there, so Midland has that advantage,
4 but I would doubt if Midland would be used again.

5 Q. Then the Collingwood yard?

6 A. Collingwood is the headquarters of all
7 of our yards and the administration is there,
8 the draughtsmen and designers are there. The work
9 force is very good there. Their wage rates are
10 somewhat less than say in Port Arthur.

11 Q. The next one is Kingston.

12 A. Kingston is a small plant. It is only
13 for repairing really small ships.

14 Q. How big?

15 A. Canal size ships. I imagine they
16 could repair large ships. However, they cannot
17 drydock anything but small ships.

18 Q. Then Davie?

19 A. The Davie shipyard is established or
20 located inside Quebec and has little to do with our
21 own operations. It can build and it has built
22 large ships of 30,000 tons. It built the largest
23 ocean-going ships that have been built in this
24 country and it uses the Government drydock down
25 there for ship repairs, and also operates a tug
26 boat service.

27 Q. Would you care to outline to the
28 Commission the future plans with respect to the
29 four yards on the Lakes? Is it your intention to
30 keep them all operating?



1 A. I think that within our own company we
2 have a word we call rationalization. We have
3 already started up by closing down the Midland
4 yards. When the Seaway is completed, and depending
5 upon the future of shipbuilding in this country, I
6 would hesitate to make a forecast, but we do
7 consider we have two very efficient shipyards, one
8 at the Davie Shipyard in Lauzon, Quebec, and at
9 Port Arthur. I cannot see the future of Georgian
10 Bay. That was our difficulty on account of the
11 carriage of grain down to Montreal.

12 Q. We have a questionnaire that we are
13 going to send to the various shipyards and operators
14 dealing with the matter of diversification and that
15 sort of thing. I am not going to bother you with
16 those questions to-day but you will receive the
17 questionnaire.

18 A. You can be sure we will answer it
19 promptly. I have no secrets from the Commission.

20 Q. Can you describe to the Commission the
21 shipbuilding that you now have on hand in your
22 various yards?

23 A. The shipbuilding that we now have
24 on hand. We are building a new type of mine-
25 sweeper at the Davie shipyard and also at Port
26 Arthur. We are also building one destroyer at
27 the Davie shipyard and we are about to build an
28 ocean-going ship of canal size in the Collingwood
29 shipyard. We think that we will build a small
30 canal size ship for ourselves and we are going to



1 built two canal size ships at the Davie shipyard
2 for other customers.

3 Q. How about Port Arthur?

4 A. Pardon?

5 Q. How about Port Arthur?

6 A. I said Port Arthur has a minesweeper.

7 Q. Those are all the ships that you have
8 on hand in the five yards at the moment?

9 A. That is right. Is that correct, Mr.
10 Lowery?

11 MR. LOWERY: We have got a lighthouse tender
12 and buoy vessel.

13 MR. McLAGAN: We were successful in getting
14 a small Government ship called a lighthouse tender
15 and buoy vessel which will be built at Quebec.

16 MR. MUNDELL: Q. How many of these vessels
17 have been built for yourself?

18 A. One

19 Q. You mentioned an ocean-going vessel?

20 A. On the Lake here are foreign ships
21 coming into the Lakes which means they must pass
22 through the Canal. We are going to build one of
23 these ships for an owner.

24 Q. In obtaining this business did you
25 have to compete with the British shipyards?

26 A. No, because in the case of the ship I
27 have just mentioned they had, I believe, escrow
28 money, or at least got money, I understand, and
29 they were using that money to build a ship in
30 Canada. This is the result of the Canadian Govern-



1 ment's action with regard to the sale of these war-
2 time built ships.

3 Q. Is that true of all the ships that you
4 were building?

5 A. No, sir.

6 Q. I mean the escrow money. Did you have
7 to compete with British shipyards to get the business
8 to build any of these ships?

9 A. You are digging into my secrets, and
10 the reason that we are building the two ships for
11 Canadian owners is that they ordered the ships
12 built in British yards last year and failed to get
13 them, so they have become so impatient they have
14 asked us to build two ships for them.

15 Q. Would you say your advantage in this
16 respect was delivery time?

17 A. The answer is your delivery time. The
18 cost was several hundred thousand dollars more.

19 Q. This is the situation where you have
20 British bids for these ships you are now building
21 and there is a direct comparison of costs?

22 A. Absolutely, direct.

23 Q. Would you object to making the cost
24 figures available to the Commission?

25 A. Not at all, but I do not know the
26 British costs. I only know what our owners tell
27 us. They always tell us, of course, they are
28 much higher, probably in order to get our prices
29 down.

30 Q. You would not have the figures here



1 with you?

2 A. The figures of the British cost?

3 Q. Yes, what you understand them to be,
4 or do you wish this to be confidential?

5 A. I shall be glad to give you our costs
6 but you are not suggesting I give them in front of
7 this audience, are you?

8 THE CHAIRMAN: You are asking Mr. McLagan
9 to send us his costs. We will ask him to send us
10 the name of the person who was informing him and
11 then we will have to send our query as to what
12 the costs would be of the actual type in British
13 yards.

14 MR. McLAGAN: We will gladly do that, Mr.
15 Commissioner.

16 THE CHAIRMAN: That will be the first exact
17 comparison we have found up to the present time.

18 MR. McLAGAN: On this subject I would say
19 that the comparison of a small ship of 3,000 tons
20 is not the same as it is in a larger ship.

21 Q. Which way?

22 A. In my opinion the cost of a small
23 ship is much -- the difference is much less
24 actually in a smaller ship than a larger ship.

25 Q. You mean proportionately?

26 A. No, I don't think proportionately.
27 The total difference is greater on a large ship
28 than on a smaller ship.

29 COMMISSIONER BELANGER: Q. The absolute
30 difference?



1 A. The absolute difference. The dif-
2 ference, in my judgment, is larger on a large ship
3 than it is on a smaller ship.

4 THE CHAIRMAN: That would be inevitable,
5 however the percentage is the same?

6 A. I think the percentage is about the
7 same.

8 Q. The ship you are building at Colling-
9 wood, you are building for your own company?

10 A. Yes, sir.

11 MR. MUNDELL: Q. Now then, sir, I am
12 rather interested in knowing why, if the canallers
13 are to disappear, you are building one for your-
14 self and two for somebody else?

15 A. For this reason. As far as our own
16 company is concerned, we do not have any good
17 canallers. If my predecessor in office had built
18 good canallers then we would not have to build them
19 now. We think after the Seaway is completed there
20 will be some room for small good canallers carrying
21 bulk cargoes in smaller lots, and also that there
22 will be room for this ship to go into harbours
23 where the bigger ships cannot go.

24 We built one ship last year called the
25 Iroquois, which is a Diesel powered canaller. It
26 carries much more tonnage than did our old
27 canallers. In addition to the trade which we
28 think may prevail after the Seaway goes through,
29 we have an obligation that we are required to
30 carry Seven Islands ore from Contrecoeur to the



1 Upper Lakes, and in carrying this ore the contract
2 gives us some rights after the Seaway goes through
3 for some of the tonnage which they expect to ship
4 to Lake Ontario or Lake Erie ports, and that is why
5 we built our canaller, and I understand that that is
6 why the owners for whom we are building the two
7 other ships are doing the same thing.

8 After the Seaway goes through, as I under-
9 stand it, if we did not carry this ore from
10 Contrecoeur we would not have any right at all to
11 carry ore from Seven Islands in the larger ships.

12 Q. Can you get that ship into service
13 before the Seaway is opened?

14 A. Well, we started the ship I referred to
15 in January and had it making money on July 7th.
16 We hope to do the same thing with the ship we are
17 going to build.

18 Q. You do not mean the one at Collingwood?

19 A. No, we built one at Collingwood last
20 year. We are going to build another.

21 THE CHAIRMAN: It took from January to July?

22 A. Yes, sir.

23 THE CHAIRMAN: Q. One of the witnesses,
24 either this week or last week, said he put an order
25 in England in late 1951 and delivery was expected
26 in late 1956.

27 A. Well, I believe that is right. I
28 think that is right.

29 COMMISSIONER WICKWIRE: Q. Iron ore?

30 A. I think that is correct.



1 Q. A 30,000 ton vessel.

2 A. We think we do things well in this
3 country.

4 MR. MUNDELL: Q. In connection with the
5 proposed restrictions that you are putting forward,
6 have you made any calculation of the amount of
7 work that this restriction would make available
8 to the shipyards?

9 A. I have made available the computations
10 of our own company. They are as follows.

11 Q. I was wondering if you had considered
12 it over the whole of the lake fleet?

13 A. I will first of all give you my own
14 company. We have figured we will scrap 17 small
15 ships and replace them with seven larger ones. Of
16 the upper laker class we figure we will scrap ten
17 and replace them with five. I understand that Mr.
18 Lowery has made some attempt to do it for the
19 industry.

20 I am quite confident that the figures I have
21 given to you for our own company will prove to be
22 correct.

23 Q. Over how long a period of time would
24 that extend?

25 A. That is a difficult question because
26 obviously we have not got the money to start
27 building all these at once. We have to work on
28 it gradually. I would say over a ten year period
29 because our finances would not let us do it any
30 better. I understand that Mr. Lowery can give



1 you his estimate in relation to the fleet. I think
2 he has prepared something. I do not know what he
3 has prepared but I think he has prepared something.

4 MR. MUNDELL: I will come to that with Mr.
5 Lowery rather than interrupt. Possibly it may be
6 better to take it now.

7 THE CHAIRMAN: Yes, it would be better to get
8 the position.

9 MR. LOWERY: I only have four copies of this.

10 THE CHAIRMAN: You do not need to go back
11 and forth to the witness box. Mr. Lowery can
12 speak with perfect ease from there.

13 MR. MUNDELL: I was wondering whether to
14 mark this. Perhaps you had better make a statement.

15 MR. LOWERY: When you get the statement with
16 the graph on the back I think it will permit you
17 to understand it.

18 At the hearings in Quebec the Commissioners
19 stated that they would be interested in seeing
20 some estimate of the probable shipbuilding program
21 which might result if the Coasting Trade was
22 restricted to Canadian registered and Canadian
23 built vessels.

24 The purpose behind this request was assumed
25 to be the desire of the Commission to determine
26 with some fair degree of accuracy ---

27 THE CHAIRMAN: Just a moment. I thought
28 Mr. Lowery was just going to make a statement.
29 Perhaps he should move into the witness box.

30 MR. LOWERY: The purpose behind this



1 request was assumed to be the desire of the
2 Commission to determine with some fair degree of
3 accuracy whether or not restricting the Coasting
4 Trade as proposed would, in fact, have any sig-
5 nificant effect upon employment in the Canadian
6 shipbuilding industry.

7 At that time the writer stated that he felt
8 any such forecast would be open to serious doubt
9 and adverse criticism, but agreed to make an
10 analysis of the matter as he saw it, for submission
11 to the Commission at this time.

12 The following report deals with the estimated
13 new building which may take place in connection
14 with Great Lakes Shipping only. To this estimate
15 must be added any additional building necessary in
16 connection with other Canadian Coasting trades.

17 From Green's Great Lakes Directory, 1955
18 Edition, a comprehensive list was compiled showing
19 the present Canadian Great Lakes fleet and separate
20 totals were listed for each year, showing the
21 ships at present in service which were built in
22 each year from 1898 to 1955.

23 The number, gross tonnage and deadweight
24 carrying capacity for each year of build were
25 separated and tabulated, thus for example, we
26 knew that in the Great Lakes shipping fleet in
27 1954 there were 9 vessels which were built in the
28 year 1924 having a total gross tonnage of 29,167
29 tons and a deadweight carrying capacity of 42,700
30 tons.



1 From this information a graph was drawn,
2 hereby submitted as Exhibit "A". . .

3 MR. MUNDELL: May we mark that as an exhibit?

4 ---EXHIBIT NO. 115: Graph submitted by Mr. Lowery.

5
6 MR. LOWERY: From this information a graph
7 was drawn, hereby submitted as Exhibit "A", which
8 shows on a base of "year of build" the deadweight
9 carrying capacity of the existing Great Lakes fleet.
10 The vertical ordinate of this graph at any year
11 indicates the carrying capacity in tons of vessels
12 in the existing Great Lakes fleet which were built
13 prior to that year.

14 If you go to the year 1930 you find, of course,
15 that of our present Great Lakes fleet 870,000 tons
16 of shipping was built at or before 1930.

17 The base line also indicates the correspond-
18 ing "age in years" related to year of build -- for
19 example, 1930 is opposite 25 years of age -- the
20 left hand vertical co-ordinate indicates "percent-
21 ages of present fleet", this can be used if it is
22 found to be a more convenient basis than "carrying
23 capacity in tons".

24 Although most Great Lakes vessels have a
25 longer apparent physical life than deep sea
26 vessels, in the writer's opinion the actual
27 useful physical life should not exceed 35 to 40
28 years and the economic useful life is actually
29 still less than this.

30 As the writer is a shipbuilder and the



1 estimate of new ships which should be built in the
2 future will increase with any assumed reduction in
3 the useful life of Great Lakes shipping it has
4 been considered wise, for the purpose of this
5 estimate, to assume 40 years as the maximum useful,
6 economic life, since it is felt that few can
7 believe the useful life should exceed this figure.
8 Had I taken any less period in years I would have
9 gotten a bigger replacement figure, so I have taken
10 an age which I think is far too great.

11 There should be little argument that vessels
12 above this age are obsolete, being invariably
13 inefficient in carrying capacity and speed and
14 costly to run and repair.

15 Deep sea operators appear, in the past, to
16 have appreciated obsolescence more readily than
17 Great Lakes operators, but the accelerated post-
18 war building of ships in the Great Lakes may show
19 an awakening sense of this factor on the part of
20 Great Lakes operators. This can be seen by
21 further research of the graph at the end of the
22 post-war years.

23 It should be noted that the vessels shown
24 on the graph -- I think this is quite important,
25 too -- and which comprise the entire Great Lakes
26 fleet were not all built in Canada and so the
27 graph should not be assumed to give any indica-
28 tion of shipbuilding activity in Canada over past
29 years.

30 From the graph it will be seen that the



1 existing Canadian Great Lakes fleet has a total
2 carrying capacity of some 1,321,000 tons and that
3 there is actually 442,000 tons or 33% of the total
4 tonnage which is 40 years or more in age.

5 In the writer's opinion it is quite definite
6 that these vessels are ready for retirement.

7 Can you follow that, Mr. Chairman?

8 THE CHAIRMAN: Yes. I think on your graph
9 the 47% more than 50 years old should be 25, should
10 it not?

11 MR. LOWERY: The 30 years?

12 THE CHAIRMAN: No, at the 47%.

13 MR. LOWERY: Should be more than 30 years,
14 not 50. Yes, I have not reached that yet but that
15 is a typographical error.

16 It is, of course, not at all likely that they
17 would all be replaced in one or two years due,
18 among other reasons, to the large capital expenditure
19 involved and it is considered reasonable, for the
20 purpose of this superficial analysis, to consider
21 them being replaced in the future over a period of
22 say 10 years.

23 During this ten years all vessels which are
24 at present more than 30 years of age will become
25 40 years old and consequently also require retire-
26 ment, the total additional tonnage so affected
27 amounts to some 194,000 tons deadweight.

28 From the foregoing it will be seen that
29 within the next ten years some 636,000 tons of
30 shipping or 47% of the capacity of the present



1 fleet will become 40 years or more in age and may
2 be considered to be obsolete.

3 It is extremely likely that other vessels
4 which are not so old as those covered in the fore-
5 going comments will also require to be retired due to
6 their design unsuitability; it is proposed to
7 comment on this matter at this time.

8 From the graph it will be seen that vessels
9 in the fleet which were built between 1930 and 1945
10 represent an insignificant amount of tonnage and
11 it is therefore felt that for the purposes of
12 this broad survey comment on these vessels can be
13 omitted.

14 Likewise it can reasonably be assumed
15 that vessels constructed since 1945 will not
16 require to be retired because of design obsolescence,
17 since even those vessels which are relatively
18 small are obviously the best of their type and
19 will be most likely to survive in the limited use
20 which, in the writer's opinion, will be found for
21 the smaller type vessels after the opening of
22 the Seaway.

23 The only period, therefore, which has not
24 been covered by this cursory review is the five
25 year period covering ships build in the years
26 1926 to 1930 inclusive.

27 An examination of the data collected from
28 Green's Directory indicates that during that
29 period 88 vessels were constructed having a
30 total deadweight tonnage of 268,500 tons and in



1 this whole group only two vessels had deadweights
2 exceeding 4,000 tons. The remaining 86 vessels,
3 having a total deadweight carrying capacity of
4 241,800 tons have an average size of less than
5 3,000 tons deadweight.

6 In the writer's opinion, there will be
7 extremely limited use for such smaller vessels
8 after the opening of the Seaway, since larger and
9 more economical vessels will generally be required,
10 and smaller vessels which are required will
11 probably be of a different type. It is considered
12 safe to assume that at least half of these vessels
13 or say 125,000 tons capacity should also be retired
14 within the next ten years, during which period
15 they will cover age groups 25 to 35 years.

16 Even with this 43 small vessels retired
17 together with the older vessels which it has been
18 proposed should be retired, there will still be
19 about 100 vessels on the Great Lakes with deadweight
20 capacities less than 4,000 tons. It is believed
21 that this total will be found to be more than
22 ample.

23 Adding this 125,000 tons to the previous
24 figure for retirement of 636,000 tons we come to
25 the conclusion that some 771,000 tons deadweight
26 will probably be retired within the next ten
27 years.

28 Assuming, for present purposes, that the
29 Coasting and other trades on which Canadian Great
30 Lakes vessels are employed will remain as at



1 present insofar as total volume is concerned, we
2 can make some estimate of the replacement tonnage
3 necessary to fulfill the same overall function as
4 that previously performed by the 771,000 tons which
5 we have estimated will be retired within the next
6 ten years.

7 Due to the fact that the vessels which are
8 being retired are relatively small and slow it is
9 the writer's opinion that the same cargo could be
10 carried annually in new tonnage having only 70 to
11 75% of this deadweight, say $72\frac{1}{2}\%$ of 771,000 tons
12 or approximately 560,000 tons.

13 At present a large proportion of grain is
14 brought to Montreal by rail from Georgian Bay.
15 When the Seaway is completed it is believed that
16 this grain will come to Montreal by water.

17 This will probably require a further 60,000
18 tons deadweight of ships, thus bringing the total
19 to build in the next 10 years to 620,000 tons. The
20 total capacity of the Great Lakes fleet at that
21 time would be 1,170,000 tons (1,321,000 tons
22 present fleet less 771,000 tons retired plus
23 620,000 tons new tonnage).

24 The bulk movement of ore may change in
25 direction and move from Seven Islands rather than
26 from Duluth, existing patterns for coal, limestone,
27 etc., will probably be retained, and no correction
28 is made on that account.

29 Due to the relatively cheaper rate at
30 Montreal which will result after the Seaway,



1 more grain should move through Montreal at the
2 expense of Vancouver, and Churchill. This factor
3 is, however, being ignored in this analysis since
4 it will probably be offset by grain cargoes lost
5 due to some Overseas vessels collecting grain
6 direct from the Lakehead.

7 All of the foregoing assumes that the overall
8 volume of coasting trade is unchanged from the
9 present and that the coasting trade is restricted to
10 Canadian vessels.

11 It is, however, reasonable to assume that the
12 carriage of bulk and package freight cargoes on
13 the Canadian side of the Great Lakes will increase
14 substantially within the next ten years due to the
15 general growth of Canada.

16 Although this probable growth is obviously
17 difficult to estimate with any confidence the
18 writer felt that the Commissioners would, never-
19 theless, prefer to have some account taken of
20 this probability.

21 The assistance of Mr. Jackson and his staff
22 was therefore sought and their investigations
23 have indicated a fairly definite and recognisable
24 relationship between the growth of "Physical Volume
25 of National Product" and the growth of the
26 Coasting Trade.

27 The growth of the National Product has
28 been forecasted for 10 years and related to the
29 Coasting Trade. From these calculations it has
30 been estimated that the Coasting Trade will



1 probably grow by some 15% in the next 10 years.

2 I may say the range given by Mr. Jackson's
3 staff was 15 to 23%.

4 The entire Great Lakes fleet is not engaged
5 exclusively in the Coasting Trade, but it does not
6 appear unreasonable to assume that the total
7 shipping business might grow at a similar rate.

8 If, however, we take a smaller percentage,
9 say 10%, we find that the tonnage required at the
10 end of 10 years has grown from 1,170,000 deadweight
11 tons to 1,287,000 tons, and the new tonnage to be
12 built has correspondingly been increased from
13 620,000 tons deadweight to 737,000 tons. (620,000
14 plus 117,000)

15 If we accept this last figure as being at
16 all reasonable we see that this results in a
17 building program averaging 73,700 tons per year
18 for 10 years.

19 The negligible quantity of ships built in the
20 30's and early 40's has had a most serious effect
21 on the average age of the Great Lakes fleet.
22 While the rest of the world was building ships
23 during the war and the ocean has absorbed them,
24 none were built in the Great Lakes for work.

25 From the "Brief for Shipbuilding", July,
26 1944, we learn that in 1939 only 19.3% of the
27 fleet was over 35 years old, the present percent-
28 age over 35 year old is 36%.

29 At that time also the percentage over 20
30 years of age was 47.5% whereas at present



1 almost 70% are actually over 25 years of age.

2 This great increase in average age is obvious-
3 ly due, (as can be seen from the graph) to the very
4 few ships built during the 1930's and during the
5 second World War.

6 The fact that the operators realize that the
7 fleet is getting far too old and that new vessels
8 are required is evident from the fact that between
9 1950 and 1954 new Great Lakes ships have actually
10 been built at an average rate of 70,000 tons dead-
11 weight per year (compared with estimated future
12 rate of 73,700 tons per year over 10 years.) I
13 feel that at least shows the figure is somewhere
14 about correct.

15 Unfortunately, no Upper Lakers are now on
16 order or under construction and it is quite certain
17 that the decisions which are reached regarding
18 Canada's Coasting Trade will determine whether or
19 not Canada's shipyards are to build the new Great
20 Lakes fleet.

21 At present building costs the estimated new
22 tonnage required each year represents some
23 \$20,000,000 per year of new ship construction for
24 the Canadian Coasting Trade alone.

25 The wages paid to shipyard employees is, on
26 an average about 35% of the cost of the ship and
27 such a program would therefore result in a ship-
28 yard wage bill of some \$7,000,000 annually.

29 Taking an average annual income of about
30 \$3,000 shows us that the anticipated building



1 program would alone, employ an average of some 2,300
2 people directly in the shipyards.

3 This would require more than 2,300 men
4 standing by and would, of course, bring considerable
5 employment to associated industries. I want to
6 point out there that 2300 men on an average requires
7 maybe over 3,000 people to do it, because, for
8 example, when you were at the Davie shipyards
9 last week while the yard was fairly busy we had
10 no welders, no pipefitters, no sheet metal workers
11 and no electricians and no joiners. In six months'
12 time we may have the same labour force and have
13 no people in these categories and have very few
14 steel workers there. You need more than the cal-
15 culated average to sustain an industry.

16 When it is appreciated that this program
17 would generally be restricted to the Great Lakes
18 and St. Lawrence River shipyards, it will become quite
19 evident that reservation of the Coasting Trade could
20 have a most significant effect on Canadian Ship-
21 building employment in these areas.

22 Having some work helps the yards to get more
23 work and to build ships cheaper and more efficiently,
24 due in no small measure to reduced overheads which
25 apply when the yards are reasonably busy.

26 It does not necessarily take much to turn
27 defeat into victory, a change in exchange rates
28 for example could be of great help if the yards
29 already had some reasonable employment on ships
30 for the Canadian Coasting Trade.



1 It will further be observed that at the end
2 of the 10 year period we would have 1,287,000 tons
3 deadweight of shipping with a maximum age of 40
4 years and requiring a constant average replacement
5 of about 33,000 deadweight tons per year without
6 taking into account any possible increase in
7 business after ten years has expired. If general
8 increase in business continued at 1% per annum
9 this figure would be more like 55,000 tons per
10 year.

11 The writer has produced the foregoing fore-
12 cast with reluctance, is fully aware of the many
13 shortcomings, doubtful hypotheses and equally
14 doubtful conclusions contained in the forecast.

15 It is, however, believed to be a reasonable
16 guide and it is hoped that the method of presenta-
17 tion will at least simplify the work of the
18 Commissioners in making any corrections necessary
19 to the estimate to bring any of the various cir-
20 cumstances in line with their own opinions on the
21 matter.

22 MR. MUNDELL: Thank you very much, Mr.
23 Lowery. Mr. Chairman, I wonder if we could reserve
24 the privilege of asking Mr. Lowery some questions,
25 possibly after we have had a chance to study these
26 calculations.

27 THE CHAIRMAN: You have no questions at this
28 stage?

29 MR. MUNDELL: No. We will have some
30 questions in relation to the earlier part. I



1 wonder if we could recall Mr. McLagan.

2 THE CHAIRMAN: It is hardly worth while at
3 this stage. I think we shall adjourn until 2.30.

4 ---Whereupon the hearing adjourned at 1.10 p.m.
5 until 2.30 p.m.



1 AFTERNOON SESSION

2
3 ---On resuming at 2.30 p.m.

4 MR. MUNDELL: Would you take the stand, Mr.
5 McLagan?

6
7 MR. T.R. McLAGAN, recalled.

8 MR. MUNDELL: Q. I think that fairly concludes
9 the inquiry I had to make in relation to the ship-
10 building by itself. I was wondering if we could
11 come now to shipping operations of your company.
12 Before doing that could you indicate to the
13 Commission the relative proportions of your business
14 that consist of shipbuilding, ship operating and
15 then you have other portions of your business?

16 A. Well, you mean the sales of each?

17 Q. Roughly speaking, revenue-wise, I
18 suppose, just the proportions?

19 MR. McLAGAN: Mr. Wiley, have you got the
20 figures there for 1954?

21 MR. WILEY: No, sir, I haven't got those
22 figures.

23 MR. McLAGAN: Can you send over to the office
24 and get that consolidated statement? We will get
25 it to you in half an hour.

26 MR. MUNDELL: Q. I just wondered if you
27 knew the sort of order of percentages?

28 A. Well, shipbuilding, for instance, in
29 1952, was quite large in proportion to the whole,
30 but of course it goes up and down and last year



1 was very small. The big business of Canada Steam-
2 ship Lines is the water transportation business,
3 but I think we can give it to you exactly if you
4 would like to have it.

5 Q. Thank you very much. Would you de-
6 scribe to the Commission the shipping operations of
7 your company, first in relation to package freight
8 and scheduled runs, and so on, starting with the
9 package freight?

10 A. Yes, we have the following fleets.
11 We have the Upper Lake bulk fleets, which are
12 composed of the Upper Lake ships. They carry bulk
13 materials, ore, coal, some limestone and grain.
14 We have the self-unloader fleets which are ships
15 that carry coal and are capable of unloading the
16 coal by themselves at various ports where there
17 are no cranes, and depositing it on the dock. We
18 also have the Lower Lakes canal fleet which are
19 small ships to negotiate the Lower St. Lawrence
20 Canal, and which of course have been primarily used
21 to transport grain from the transfer point to
22 Montreal. Finally, we have the package freight
23 fleet which carries package freight from Montreal
24 to western points. Of the package freight fleet
25 we have four ships that are too big for the Lower
26 St. Lawrence Canals and operate generally from
27 Toronto westward.

28 Q. Taking the canal package fleet, do
29 you operate on scheduled lines?

30 A. Well, we operate -- by operating on



1 scheduled lines, do you mean we operate definite days
2 of the week, sailing dates?

3 Q. Well, that is it.

4 A. No, we do not. We operate definitely
5 between various ports but we have not been able to
6 get down to scheduled sailings of the same ship on
7 the same day of the week.

8 Q. That is true in all your package
9 freight operation?

10 A. Yes, it is something which is desirable
11 but something we haven't been able to accomplish.

12 Q. How does it work at the present time
13 then, just when the cargoes present themselves?

14 A. Well, we have to do the best we can.
15 For instance, we run some of the ships to Toronto
16 and we unload them as fast as we can and load them
17 as fast as we can, and come back. We run other
18 ships right through to Fort William, take grain
19 back and then unload grain at some grain port and
20 proceed on for their package freight.

21 Q. Then would you describe the activities
22 of the Upper Lake bulk freighters? What I have
23 in mind particularly, what do you carry to begin
24 with?

25 A. We carry ore and coal into the Steel
26 Company of Canada at Hamilton. We carry the same
27 commodity into the Algoma Steel Company at Sault,
28 Ste. Marie, and the same commodity into the
29 Canadian Furnaces at Port Colborne; and of course
30 we carry grain from the Head of the Lakes to



1 Kingston or other transfer points.

2 Q. How do you obtain your^{ore} cargoes? Is
3 that a contract business?

4 A. We obtain our ore contracts in com-
5 petition with other carriers and maybe direct
6 contract with the buyer.

7 Q. Is that for a season or longer?

8 A. No, in some cases we have them for a
9 longer period. Otherwise we could not have
10 committed ourselves to build ships that were
11 necessary.

12 Q. How do you obtain your grain cargoes?

13 A. Grain cargoes are booked by our agency
14 in Winnipeg who take them direct from the Wheat
15 Board.

16 Q. Is there any arrangement between the
17 Wheat Board and your company or other companies,
18 for that matter, for the contract carriage of wheat?

19 A. None.

20 Q. It is all individual ---

21 A. We keep constantly in touch with the
22 Wheat Board or on the coarse grain with those who
23 ship coarse grain, and if we have a ship that is
24 ready and the Wheat Board have a cargo, we get it.
25 As far as coarse grains are concerned it is done
26 by direct solicitation by our office in Winnipeg
27 to those people who ship.

28 Q. Coming back to ore, I think you said
29 it was largely contract?

30 A. Yes.



1 Q. Is there some individual cargo movement?

2 A. No individual cargoes as far as we are
3 concerned, but not all our arrangements this year,
4 for instance, are by contract. We have made a deal
5 for this year.

6 THE CHAIRMAN: Where does the ore come from,
7 where do you pick it up?

8 A. We pick it up generally at Allouez,
9 Wisconsin, and also Escanaba and Marquette.

10 Q. That is international, none at Port
11 Arthur?

12 A. We carry very little from Port Arthur,
13 Canada Steamship Lines, very little.

14 MR. MUNDELL: Q. You mean all told, grain,
15 ore?

16 A. No, we carry very little ore from Port
17 Arthur.

18 Q. How do you get your coal cargoes?

19 A. The bulk coal is negotiated in the same
20 way. We should differentiate by the fact that the
21 big ships carry what we call metallurgical coal for
22 making steel, and the self-unloaders carry steam
23 coal.

24 Q. Then you say they are obtained in the
25 same way by contract or by individual cargo
26 solicitation?

27 A. The metallurgical goes hand in hand
28 with the ore; the steam coal generally booked by
29 our office in Cleveland who solicit their ships to
30 the sellers of coal for their cargoes.



1 Q. Where do you get the steam coal, where
2 do you pick it up?

3 A. We pick it up at Astabula and other
4 parts.

5 Q. And you take it?

6 A. We take it into Lake Erie ports and
7 Lake Ontario ports, some down the St. Lawrence
8 River. Down in the canals here we require, of
9 course, small ships.

10 Q. In the grain carriage, Upper Lakes
11 fleet, what is the distance for the larger Upper
12 Lakers with grain?

13 A. Well, generally to Kingston, Ontario,
14 because we happen to own the Kingston elevator,
15 but of course we can take it to any public elevator
16 that we wish.

17 Q. That is, if you had a big Upper Laker
18 load with grain at Port Arthur you would bring her
19 right through to Kingston?

20 A. That is right.

21 Q. How does it work in the Lower bulk --
22 the canallers?

23 A. We have to pick up the grain from
24 Kingston or Prescott or Port Colborne, wherever it
25 is put down by the big ships, and carry it to
26 Montreal. That is where the higher cost comes in
27 in the carriage of this grain which will be
28 eliminated.

29 Q. How do you obtain cargoes for that
30 fleet?



1 A. Well, we obtain them from the same way,
2 the same cargoes as they will have booked on the
3 big ships. We arrange to carry from the Head of
4 the Lakes to Montreal.

5 Q. Do the canallers carry only the grain
6 you bring down or would they pick up?

7 A. Unless somebody else wants us to carry
8 theirs. Sometimes somebody else is short of ships
9 and asks us to help them out and we will ask them.

10 Q. That would be on an individual cargo
11 basis in that case?

12 A. No, but the rate we quote is from the
13 Head of the Lakes to Montreal. We pay the trans-
14 shipment charges.

15 Q. But where you take on the trans-
16 shipment for somebody else, that would be arranged
17 between you?

18 A. That is right.

19 Q. Between you and other carriers?

20 A. They would give us our share.

21 Q. Can you let the Commission have a
22 schedule of sailing times at the present time from
23 Port Arthur to the various ports and on down to
24 Montreal?

25 A. How long it takes?

26 Q. Yes.

27 A. Oh, yes, we can give you every one
28 of those.

29 Q. Though I am not sure whether it is
30 not doubling up on what the Dominion Marine



1 Association is going to give us.

2 MR. GERITY: No.

3 MR. MUNDELL: Q. Can you give us an estimate
4 of what you think it will be for the big lakers to
5 go from Port Arthur to Montreal when the canal is
6 through?

7 A. I would think that the round trip would
8 take around eleven days, I think. I would have
9 to ask some of my officers of the company to give
10 it to you exactly.

11 Q. Thank you very much if you would. That
12 would be two things: present sailing times and
13 estimated ---

14 A. You want the sailing times to all ports,
15 Allouez to Hamilton, to Port Colborne?

16 Q. Just the Canadian coastal ports, I
17 would think.

18 THE CHAIRMAN: This is for your grain run?

19 MR. MUNDELL: I was thinking of the grain run,
20 really.

21 THE CHAIRMAN: Head of the Lakes to the
22 various ports that you use, starting right around
23 Port McNicol.

24 A. Yes, we would be glad to do that.

25 MR. MUNDELL: Q. We talked about obtaining
26 cargoes of ore and grain and so on at the Head of
27 the Lakes. How does the cargo come to you in
28 Montreal, how do you obtain your ---

29 A. Package freight?

30 Q. Package freight.



1 A. By solicitation, selling.

2 Q. Have you any arrangement with the trans-
3 Atlantic carriers for through traffic of any kind?

4 A. Yes, we have arrangements whereby the
5 people in London can book cargoes through the same
6 interior point and we will take it on from Montreal.

7 Q. Would you have an arrangement with the
8 railways to take it out through Port Arthur?

9 A. That is right.

10 Q. So that at the present time really
11 you are an extension of the trans-Atlantic trade
12 through Montreal by ship?

13 A. Well, a very small proportion of our
14 business, of course.

15 Q. I was wondering if you could give the
16 Commission an estimate of the proportion of your
17 package fleet?

18 A. I think it is about 10% export and
19 import.

20 COMMISSIONER BELANGER: No, for your package
21 freight.

22 A. Package freight.

23 Q. 10% of the package freight?

24 A. We have no bulk cargoes going westward
25 from Montreal except odd cargoes come in, such
26 as chromium ore and that kind of thing that are
27 taken up in small ships.

28 THE CHAIRMAN: What is that 10% now? Is
29 that the amount of your package freight which
30 results in a tie-up with the ocean ships?



1 A. The total amount of the package freight
2 that we carry in Canada, roughly 10% of the
3 tonnage is from overseas or going overseas. If
4 we can carry a million tons, it would be about
5 100,000 tons will have come from overseas or is
6 going overseas. In other words, it is 10% of
7 total is import and export. In other words, the
8 great bulk of it is domestic business.

9 THE CHAIRMAN: You do not necessarily know
10 why, do you? Some one might hire you in Montreal
11 to carry so many tons of package freight, deliver
12 it at your dock, and whether it came overseas on
13 another ship but would come in before, you would
14 have no idea?

15 A. I think we would, sir.

16 Q. Is that the way you make your 10%
17 figure, or is 10% the amount of through shipment
18 arranged with the steamship companies at one end,
19 that is at England, or with the railroads at the
20 Canadian end?

21 A. Well, the 10% is made up of stock
22 that we call for at the docks, or deliver to
23 docks, and we have to solicit and sell every bit
24 of every pound of freight that we carry, and we
25 know pretty well whence it comes, but we can give
26 you an absolutely factual statement for any period
27 of time that you require.

28 Q. Well, I still do not know the
29 absolutely factual statement as to that 10%.
30 Let me ask you again. Does the 10% represent the



1 amount billed through to you by the ocean carriers
2 at one end and the railroads at the other, or does
3 it represent that plus your judgment of import or
4 export also?

5 A. Well, it is possible, of course, that
6 we might carry, solicit freight from some company in
7 Montreal, and they in turn have brought it in at
8 some time into Canada and forwarded it on. I cannot
9 deny that, but so far as we know our export-import
10 is about 10% and it is very important for us to
11 know that.

12 Q. I am not comparing that figure.

13 A. May I call Mr. Van Wyck, manager of
14 the package freight department, to further enlighten
15 you on this?

16 Q. Let him give you the information, let
17 him give it to you.

18 MR. MUNDELL: I think your question, sir: are
19 these goods of Canadian origin or foreign origin.

20 THE CHAIRMAN: That is a very good way to
21 put it.

22 MR. MUNDELL: Q. Of the incoming package
23 freight, Mr. Van Wyck, how much is of Canadian origin
24 and how much of overseas origin?

25 MR. VAN WYCK: I would say, as Mr. McLagan
26 said, 10% of our traffic coming into those docks --
27 westbound -- would be import freight off the ocean
28 docks.

29 THE CHAIRMAN: And 90% of the freight that
30 you carry west from Montreal originated in Canada?



1 MR. VAN WYCK: In Canada.

2 Q. What kind of package freight is it
3 generally?

4 A. Well, it would be general freight, such
5 as sugar, building paper, steel articles, various
6 general products manufactured here.

7 Q. I suggest hardly any of those four
8 originate in very large quantities around Montreal?

9 A. There is a tremendous tonnage prepared
10 in Montreal, Mr. Chairman, sugar ---

11 Q. Of the six building paper manufacturers
12 who have been dealing with another organization of
13 the Government, were any of them in Montreal?

14 A. There are some canned goods, yes.
15 Most of the canned goods have their origin at these
16 canning plants contiguous to Montreal, that is,
17 more centres within a short trucking distance.

18 COMMISSIONER WICKWIRE: You say 10% is of
19 foreign origin?

20 A. Of the traffic we carry out of Montreal
21 going westbound, import.

22 Q. The same percentage export?

23 A. Well, export has been very small,
24 that is just at present. I would say they would
25 be coming from points west of Montreal into here,
26 such as Hamilton, as far west as Windsor and
27 Sarnia. I haven't got the percentage of that
28 work done because it is so small and not recorded
29 in the same effect as the import was.

30 THE CHAIRMAN: Generally speaking, is your



1 package freight eastbound, a small portion only of
2 westbound package freight?

3 A. No, there is a tremendous quantity of
4 domestic traffic from Ontario points come into
5 Montreal.

6 Q. Is that manufactured goods chiefly?

7 A. Manufactured goods, canned goods.
8 There is a tremendous quantity of canned goods come
9 in here, soaps.

10 THE CHAIRMAN: Quantities of canned goods seem
11 to move in all directions at all times.

12 MR. MUNDELL: Q. I wonder, sir, if we could
13 have the tonnages?

14 A. We could prepare those for you and send
15 them along quite easily.

16 Q. Westbound tonnages of Canadian origin,
17 foreign origin?

18 A. That is right.

19 Q. And eastbound tonnages of ---

20 A. Export and domestic. We would be very
21 glad, indeed.

22 Q. For three or four years probably, if
23 you can let us have it?

24 A. Three or four years, right.

25 THE CHAIRMAN: Thank you very much.

26 MR. McLAGAN: If the Commission desires to
27 do so, they can see the package freight terminals
28 at Montreal, Toronto or Hamilton and there you
29 will see a variable cross-section of Canadian
30 industry. There are washing machines,



1 refrigerators, household products, canned goods,
2 sugar, steel products, everything that is made in
3 this country, you can see for yourselves.

4 THE CHAIRMAN: I know we are seeing it in
5 Toronto.

6 A. One of the big imports is whiskey.

7 MR. MUNDELL: An unusual commodity to fall
8 under package freight.

9 Q. Would you have any idea, Mr. McLagan,
10 of what^{is} the percentage of the total package freight
11 carried west via water that you carry with your
12 organization?

13 A. Of the total in Canada?

14 Q. What I would like to know is, how much
15 is the total tonnage of package freight that moves
16 west by boat from Montreal that you carry?

17 A. Compared to the total tonnage that moves
18 in Canada?

19 Q. West from Montreal up river?

20 A. Compared to the total of the country
21 going west?

22 Q. No, just the figure, the percentage
23 of the package freight that moves by water west
24 from Montreal that you carry?

25 A. I haven't the slightest idea. All I
26 know is that it is increasing all the time.

27 Q. Would you know how it could be found
28 out for the Commission, how much package freight
29 moves west from Montreal by water?

30 A. I do not know, I could not tell you.



1 Q. I believe we may have the figure. The
2 point I was really trying to get at is the amount
3 of incoming international trade one might expect
4 to go up the lakes by water if it just moves
5 through at the present time instead of stopping
6 here.

7 A. I would like to know that myself.

8 Q. But you haven't any figures or cal-
9 culations on that?

10 A. No. It is very important for us
11 because when the Seaway goes through, how much
12 business would go through on its own that we would
13 lose? I don't know.

14 Q. After the Seaway is constructed, Mr.
15 McLagan, and you anticipate competition from the
16 British vessels, in which particular trades would
17 you anticipate the competition?

18 A. I think we would have the competition
19 in the bulk.

20 Q. In the bulk?

21 A. That would be the ones we fear the
22 most.

23 Q. You are not so worried about the
24 package freight?

25 A. The truth about the package freight
26 is this, that a large part of the income dollar
27 must be spent for stevedoring. Therefore, all
28 ships travelling in our coast, on that factor of
29 the cost, would have the same expense as we have.
30 The advantage they would have is entirely afloat.



1 We haven't got the stevedoring cost to the same
2 extent in the bulk.

3 Q. Which part of the bulk would you
4 expect the competition to be the keenest, ore or
5 coal?

6 A. All of it.

7 Q. Would you expect the British ships to
8 take the ore traffic from Seven Islands up the
9 Lakes over completely?

10 A. Well, they are certainly going to try,
11 that is what they have in mind, they have already
12 said so.

13 Q. What about westbound from the Head of
14 the Lakes?

15 THE CHAIRMAN: What do you mean, they have
16 already said so? What kind of announcement has
17 been made?

18 A. We have been invited by some of them
19 to go into partnership with them.

20 Q. I did not intend to anticipate that.
21 You are going to deal with that.

22 MR. MUNDELL: Sir, I did not hear what you
23 said.

24 THE CHAIRMAN: I did not want to open that
25 up. You have your own examination on that.

26 MR. MUNDELL: Q. If the ore moves by
27 contract largely at the present time, you would
28 expect the British to come over and bid on the
29 contract to move it, the British ships?

30 A. That is so.



1 Q. What vessels do you use on the
2 ore traffic, the large Upper Lakers?

3 A. Well we use the larger Upper Lakers and
4 we have built the larger ones because the traffic
5 got so heavy that it could not be physically moved
6 by the smaller ones.

7 Q. You anticipate that the competition
8 would be between your large Upper Lakers and
9 whatever British vessels come in?

10 A. That is right. I may say that in the
11 matter of some of the ports, of course, there is a
12 limit to how big ships can be.

13 Q. Which ports are those, for instance?

14 A. The Sault Ste. Marie, for example, we
15 cannot use some of the biggest ships, we have to
16 use ships of 15,000, 16,000 tons. The difficulty
17 is to use some of the bigger ships.

18 Q. Is that the only Canadian port?

19 A. Well, if they dredged it out and cleaned
20 it up a bit more, of course, that would overcome
21 that obstacle.

22 Q. Well then, I was wondering, in the
23 light of that anticipated form of competition,
24 whether this table in your presentation this morning
25 is really a relevant table. This is Exhibit 95.
26 The comparison is between two ten thousand tonners
27 and I wondered whether, with larger vessels, bigger
28 tonnage in the Canadian vessel, whether a ten
29 thousand tonner would outbid your Upper Laker?

30 A. We have made up these figures so that



1 when you get to British costs you can take these
2 figures and evaluate what the advantages to the
3 British ships are.

4 Q. But if you carried the larger tonnage
5 in your Upper Laker, would that not offset the
6 British advantage, leaving aside the fact of
7 British coming in and getting the same kind of
8 vessel for the moment, taking an ocean-going
9 British vessel that comes up?

10 A. I can't answer that until I get the
11 British costs presented as we have presented them.
12 We have presented what we consider their advantages
13 are per year, and they are in such fashion that
14 you can take theirs and evaluate them on the same
15 basis, and naturally if the British ship is
16 smaller then it will not have as much as a quarter
17 of a million dollars advantage over us.

18 Q. Would they have any advantage?

19 A. Well, in my judgment they will, but
20 as I have pointed out to the Commission we have
21 not got access to their records, but you have.

22 Q. Well, that calculation can be done,
23 but I just wondered at the present time whether
24 you think that that table is really relevant just
25 to competition between one of your large Upper
26 Lakers and a British vessel?

27 A. The table was made out with a great
28 deal of thought in order that it could be
29 evaluated. We couldn't make it on any other
30 basis.



1 THE CHAIRMAN: What is the particular ship
2 which is being compared? I haven't found that out.

3 A. We consider that with the Seaway open
4 they are going to produce ships of 14,000, 15,000,
5 16,000 tons that will come up after the ore.

6 Q. That is the costing on that kind of
7 ship that you have taken as the basis for your
8 comparison?

9 A. We take our ships here that we are
10 talking about from 17,500 tons.

11 COMMISSIONER BELANGER: Dead weight.

12 THE CHAIRMAN: You say the Thunderbird and
13 Hochelaga class, they are 21,000?

14 A. No, I beg your pardon, there is a mis-
15 print there and they had put down the net tons,
16 and the gross tons are 17,580 and 18,420 respectively.
17 I beg your pardon for having that mistake. The
18 20,000, 21,000, are net tons, tons of 2,000 pounds.
19 We talk in tons of 2,240 in ships. These tables
20 are assuming that the British vessel will be some-
21 what similar to our own, and if the British vessel
22 is smaller you then have figures here to enable you
23 to evaluate the advantage or disadvantage over the
24 smaller British ship.

25 THE CHAIRMAN: Then they are the two that are
26 cited here, are the Thunderbird and the Hochelaga,
27 are they?

28 A. Thunderbird and Hochelaga class.

29 MR. MUNDELL: That is 21,000.

30 COMMISSIONER BELANGER: 21,000 and 20,000



1 net.

2 THE CHAIRMAN: Deadweight tons at the top.

3 A. I beg your pardon?

4 Q. I am looking at Exhibit No. 1 in your
5 brief.

6 A. Those figures in the brief, after all
7 the preparations that we have made, we got this
8 morning that net tons were put down instead of
9 long tons.

10 Q. These are net tons?

11 A. The T.R. McLagan should be 22,500, not
12 25,000. 25,000 net tons, this should have been
13 long tons.

14 MR. LOWERY: Might I explain to the
15 Commission why they were in net tons? I was not
16 personally responsible. This table ties in with
17 another table which gives the tonnages of the
18 whole Great Lakes fleet, and it is taken from
19 Green's Directory and we had to be certain that
20 all the tables would match, and Green's Directory
21 used net tons. So that is how the short tons,
22 that is how that table was made that way. Other-
23 wise the tables would not have checked in Green's
24 Directory.

25 MR. McLAGAN: We will re-do the table for
26 you and send it to you as soon as possible.

27 MR. MUNDELL: Thank you very much.

28 THE CHAIRMAN: I understand now the Canadian
29 line or column in that. Now, what is the U.K.
30 ship?



1 A. A ship of somewhat similar proportions
2 that would carry somewhat close to 17,000 tons.

3 COMMISSIONER BELANGER: It has the same carry-
4 ing capacity?

5 A. Yes.

6 COMMISSIONER WICKWIRE: Not necessarily a
7 composite ship?

8 A. It doesn't make any difference if it
9 carries 17,000 tons we figure that we would be at a
10 disadvantage of almost a quarter of a million dollars
11 if the ship is a British ship, British manned and
12 British built.

13 Q. It makes a difference, does it not, if
14 the ship is not able to get out in off-season?

15 A. Well, the British ship, we have con-
16 cluded, can go out. We are talking about ocean-going
17 ships coming out to the Lakes.

18 Q. I see.

19 A. One of the great disadvantages we have
20 on the capital cost, we have to amortize ours over
21 230 days and they have a much longer time to
22 operate in than we do.

23 MR. MUNDELL: Q. It is then an ocean-going
24 vessel, not an Upper Laker?

25 A. Sure.

26 COMMISSIONER BELANGER: Ocean-going vessel
27 of the same ---

28 A. Carrying capacity.

29 THE CHAIRMAN: I didn't think the ocean-
30 going vessel in the same carrying capacity would



1 get in through the canals by five or six feet.

2 A. We put in an exhibit this morning on a
3 composite ship which carries over 16,000 tons of
4 ore, ocean-going ship.

5 THE CHAIRMAN: Mr. Wickwire asked you whether
6 it was a composite ship and you said it didn't
7 matter.

8 A. Doesn't matter for this calculation if
9 it is a ship that carries that much.

10 Q. Unless it is a composite ship it could
11 not get into the Lakes to carry the freight so it
12 wouldn't be much use carrying it.

13 MR. LOWERY: Yes, but I think the figures are
14 only meant to take the two similar ships that carry
15 the same amount, the one built and operated on the
16 British costs, and the other built and operated in
17 Canada, to show firstly on these two ships,
18 irrespective of the detail of the type of ship,
19 what the costs are which have to be absorbed greater
20 than their costs are.

21 COMMISSIONER BELANGER: So the best assumption
22 would be two similar ships.

23 MR. LOWERY: That is right.

24 Q. One built here and the other one built
25 in England?

26 A. That is right.

27 MR. McLAGAN: The one is an ocean-going ship,
28 the British ship is an ocean-going ship.

29 MR. LOWERY: That is not fundamental.

30 MR. McLAGAN: Oh, yes, because amortization



1 charges are over 325 days. We have compared our
2 Lake ship with an ocean-going ship that will trade
3 in our Lakes through the season of navigation.

4 MR. MUNDELL: Q. That is regardless of
5 whether this particular vessel can get into the
6 Lakes?

7 A. No, it has got to go into the Lakes in
8 order to carry ore.

9 COMMISSIONER WICKWIRE: Q. Could a U.K.
10 vessel, ocean-going type, carry that much freight?

11 A. We have produced a design this morning
12 of one that can.

13 Q. That is not what you are talking about.
14 That is a special composite type of vessel you are
15 talking about.

16 A. It is still a vessel that can carry
17 16,000.

18 Q. Your comparison is an ocean-going
19 tramp?

20 A. No, I didn't say anything about tramp.
21 I said the British are coming in, if they come in
22 here, with the most economical ship they can build.

23 Q. Yes, then it will be the composite
24 type you are comparing it with?

25 A. It may be, it may not be.

26 THE CHAIRMAN: If it is not, how can it get
27 in and carry 16,000 tons?

28 A. If it is not that, it may be a
29 ship of 12,000 or 14,000 tons, and then our dis-
30 advantage will be less than the money that we talk



1 about in here, but **it** will still be a considerable
2 disadvantage. We tried to make these figures in
3 such a manner ---

4 Q. When you say such words as "considerable
5 disadvantage", then we lose the value of your
6 accurate statements.

7 A. No.

8 Q. And we will hear other opinions that
9 say: "You won't be at any disadvantage at all
10 because of the increased efficiency of carrying the
11 larger quantity of the commodity?"

12 A. The figures will easily prove whether
13 we are or not.

14 Q. Well, let us see those figures, if
15 you want to prove it that way, because I suggest
16 to you you are making a comparison here, unless
17 you get your composite ship, if you have got to put
18 your costs for the composite ship (not just for
19 an imaginary ship), what you are proving here is a
20 competition between two ships that cannot possibly
21 compete because they cannot get into the same
22 water?

23 A. That is not quite correct. We have
24 made a comparison of a ship that can carry close
25 to what we can carry with our 17,000 ton ships.

26 Q. I agree, but you cannot carry it in
27 the same place, the Great Lakes?

28 A. Yes.

29 Q. Because you cannot get in there?

30 A. Yes.



1 Q. Well, if you can get it through, it must
2 be a composite ship?

3 A. It may be a ship of smaller than 16,000
4 tons, in which case amortization charges will be
5 lower and our disadvantage will be lower than the
6 quarter of a million dollars.

7 Q. There is no accuracy of comparison
8 unless and until you can have two ships that can
9 carry in the Great Lakes the same quantity of ore.
10 I put to you again, you say you have shown this
11 morning that there is such a ship, the composite
12 ship. Then give us the cost factors for it.

13 A. We have done so. These factors will
14 take care of that ship.

15 Q. You mean that costing here is an
16 accurate costing for the composite ship?

17 A. It is our estimate. Mind you, we have
18 not access to British costs. It is our estimate.

19 MR. MUNDELL: Q. Would the capital cost,
20 would this be an accurate capital cost?

21 A. That is what we think it is.

22 Q. The composite ship. I believe you
23 mentioned this morning there would be some
24 difference in capital cost between the composite
25 ship and ordinary ocean-going vessel?

26 A. That is right.

27 Q. How big is that difference?

28 A. I don't know, and we could not know
29 until we gave an order to a British yard and
30 got it.



1 COMMISSIONER WICKWIRE: If it is a composite
2 ship, how can we get any figures from the U.K. when
3 none of the ships are in existence?

4 THE CHAIRMAN: You know more about this than
5 anybody else. You had the plans and were asked
6 to go into the trade. How much was that going to
7 cost?

8 A. We only got to the negotiation stage,
9 but I submit to you, if our big ships were under-
10 sold on this Seven Islands to Contrecoeur movement
11 we are obliged to take one of our big ships around
12 from the Mississippi River to carry this ore and we
13 would unload. Therefore, you will appreciate the
14 comparison right now that you can make with our
15 ships.

16 Q. That is not the one you made in
17 Exhibit 95?

18 A. They would be at a less disadvantage,
19 that is all, with those ships. I submit that the
20 carriage of ore from Seven Islands to Contrecoeur
21 on costs that are submitted would give a fairly
22 good idea of the advantage they have over us, but
23 of course we could not carry at the prices they
24 took it for.

25 Q. That is not the table you produced in
26 Exhibit 95?

27 A. What is Exhibit 95?

28 Q. Which is in front of you now.

29 A. I am afraid we are at cross-purposes.
30 I do not quite understand you, you do not under-



1 stand me, and I do not quite understand what you are
2 saying.

3 Q. I understand that there are two
4 different things which you mention, one a contract
5 to carry ore from Seven Islands to Contrecoeur,
6 and you said you tendered on the basis of bringing
7 one of your big ships from the Mississippi. Of
8 course, I assume you can give an accurate costing
9 of what it would cost one of your big ships in
10 that run. You lose the tender because these people
11 underbid you and therefore you say their costs are
12 less and we can get their costs. That is one manner
13 in which we can make the appropriate demand and we
14 will consider doing it.

15 A. The ship we would have brought around
16 would have been a 16,000 ton ship.

17 MR. JACKSON: Could I intrude, with great
18 respect?

19 THE CHAIRMAN: Just a minute. The other thing
20 you have done, put a table before us here, one
21 which we have on page 2 of Exhibit 95, which gives
22 accurate costs for an ascertainable ship of
23 your own?

24 A. That is right.

25 Q. And as soon as I found out what it was
26 exactly, I have left it and I turned to the other
27 column, U.K. column, and I asked you what ship is
28 it and it turned out that it is one of two things
29 and I am not sure yet which. If it is a typical
30 English ship of the same capacity which could not



1 get into the Lakes in the new canal, therefore there
2 is no more use comparing it than a baby carriage.
3 Secondly, if it is a composite ship I want to know
4 if these are the appropriate costings for a
5 composite ship because Mr. Lowery said it cost
6 more. That is the situation as far as the
7 operating.

8 A. We can only estimate what the cost of
9 the ship is.

10 Q. So can any one, because the composite
11 ship does not yet exist.

12 A. If the cost of the ship is more than
13 our capital cost we have put down, then it will
14 change that cost factor of the capital cost.

15 Q. It may change other factors.

16 A. It will change insurance, it will
17 change the capital cost, and I think that is all.

18 MR. JACKSON: Mr. Chairman, if I may very
19 respectfully intrude, the large composite ship
20 which was under discussion which does exist in
21 considerable numbers to-day, is not directly com-
22 parable with the large Laker which is being talked
23 about, but if we go back to the transcript of Mr.
24 Lowery's evidence this morning, he discussed the
25 various considerations involved in having a
26 composite ship of relatively light tonnage in its
27 inland water season and much heavier tonnage at
28 full load in its ocean season, and put before the
29 members of the Commission the percentage of doubt,
30 the margin of doubt within which it was difficult



1 to talk competently about the degree of efficiency
2 of a composite ship.

3 May I recall to the Commission that if the
4 British figures of costing which we have put forward
5 in good faith and which we do not guarantee,
6 correspond at all closely with the truth, which
7 perhaps you can ascertain, this Canadian ship
8 which Mr. McLagan is talking about this afternoon
9 and this morning is against a British ship whose
10 costs of operation would be about 51% of the
11 Canadian cost.

12 Now, the margin which is indeterminate over
13 this discussion of what would be the precise
14 competitive relationship to a composite vessel
15 was, if I recall, of the order of 10 or 15%. I
16 cannot recall from memory the exact testimony given
17 by Mr. Lowery. But I would like to suggest that
18 while there is an indeterminate margin which the
19 Commission has been interested in during the last
20 little while, it is perhaps one-third of the very
21 wide indicated difference in cost of operation.

22 We do not guarantee the British figures. We
23 guarantee the Canadian figures from our own books,
24 but unless the British figures are wildly wrong
25 when one has made full allowance for the difficulty
26 of talking about a composite ship in relation to
27 this other vessel, it is still clear that the
28 British operation would be very much cheaper than
29 the Canadian operation; and further analysis of
30 my client's figures shows that the principal reason



1 for that is because the labour cost of operating the
2 British ship would be less than one-third, according
3 to his figures, less than one-third of the cost of
4 operating the Canadian ship on the Canadian scale
5 of wages.

6 THE CHAIRMAN: Then you have \$1,111 in over-
7 time on Canadian and not on the U.K.

8 MR. JACKSON: The systems of wage payment, I
9 think, are not identical in that regard. What we
10 have tried to do within the limits of our knowledge,
11 to set up what the cost would be on the British
12 system of payment with the British ship, compared
13 with over-time arrangements which are actually in
14 existence on Canadian ships.

15 THE CHAIRMAN: What we have to do, it would
16 appear, as a Commission, is to get the U.K. cost
17 checked, that is, the right hand column, and I think
18 you will understand that we cannot do that unless
19 we know what we are checking, and I have not yet
20 found out what we are checking because every time
21 one of you give me an answer you differ from the
22 previous one. Is it a composite ship or is it not
23 a composite ship? Is it a ship which cannot get
24 into the Lakes to do any trade because I see little
25 purpose in pursuing the comparison if it is.

26 MR. McLAGAN: Mr. Chairman, could we start
27 over again and take a ship, and if we can take a
28 ship we have put down the cost for a ship and the
29 only thing that we are at loggerheads about are
30 the two factors of insurance and capital cost.



1 Q. I want to know everything about this
2 ship.

3 A. Yes, but I am talking about the cost
4 factors, the labour cost is the same ---

5 Q. But you might find your ship had these
6 costs but it would not be a ship that would compete
7 at all with the Canadian ship which we know exactly.

8 A. We have got to compare it with the
9 ship that can compete and go up the Lakes. You
10 can compare it with the 10,000 ton ship.

11 Q. Well, all right.

12 A. Compare it with the 10,000 ton ship and
13 the factor of cost of insurance of the British ship
14 and the capital cost will change from what we have
15 got down here and the advantage will be less.

16 Q. It will not carry a
17 fraction of what this ship carries?

18 A. It all comes out in the advan-
19 tage because whatever it does carry it will reflect
20 itself in the final figures.

21 Q. There is not much use my stating it
22 again but the comparison purported to be a comparison
23 of two like ships in the same trade. I have not
24 been able to find out what the U.K. one is. The
25 only comparison on an existing ship which seems to
26 be possible is one that cannot get into the Lakes.

27 A. We take issue, sir. We can compare
28 this with a composite ship of 16,000 tons or we
29 can compare it with a ship of 12,000 tons or
30 14,000 tons or 10,000 tons and the cost factors



1 down here will then change on the two that I have
2 mentioned, the insurance and the capital cost.
3 And then the respective amounts they will carry in
4 an eight months period will bring out the final
5 answer as to what advantage or disadvantage we are
6 suffering from.

7 COMMISSIONER BELANGER: If I understand
8 correctly, the U.K. ship could be the composite
9 ship. If it is, then we will have to make some
10 corrections in the capital cost, insurance and so
11 on.

12 A. That's right.

13 Q. All right. If it is a similar ship,
14 a Laker built in England and crossing over here,
15 then everything will be the same?

16 A. It will be the same.

17 Q. Except that we will make no corrections
18 here for the eight months period?

19 A. That's right.

20 Q. Because it will be an eight months
21 period.

22 A. That's right.

23 Q. If it is an ocean-going vessel, of
24 course the cost of operation might be the same
25 but here we will have to make corrections for the
26 revenue of the ship?

27 A. And the capital factor.

28 Q. And from this column here, the U.K.,
29 we can make five or six columns.

30 A. That's right.



1 Q. Depending on the assumptions we make?

2 A. That is exactly why we did it.

3 Q. You have given us this column here just
4 to help us if we want to make further assumptions?

5 A. Further evaluations.

6 THE CHAIRMAN: Then I suggest there is one
7 assumption which I cannot understand how I could
8 make -- no difference in fuel.

9 A. I don't think there would be any dif-
10 ference in the fuel bills of the two ships travelling
11 in the Lakes.

12 Q. Surely it is easier to shove a sliver
13 through the water than a thick cigar?

14 A. Sir, there are no slivers involved.

15 Q. You are speaking of the Canadian Upper
16 Laker which is a long, slim ship, and not deep in
17 the water. You are comparing it with a great, wide,
18 ocean-going ship, and saying it does not take any
19 more fuel. I am no expert so I must ask you about
20 that.

21 A. May I ask Mr. Lowery to speak to that?

22 MR. LOWERY: I do not want to particularly
23 exclude myself from having prepared these factors,
24 but I didn't prepare this, so I am not exactly
25 certain about it. But I think what started out as
26 a hypothetical table to assist the Commission in
27 arriving at its own conclusions is now being
28 examined as though it were a particular case.
29 One of the reasons why I think we did not take
30 some other ship is one of the points Mr. Justice



1 Spence has raised, that as soon as we change the
2 shape of a ship we change the fuel consumption and
3 other matters, and you end up with far more
4 variables than this table gives you. At present
5 the only variable existing in this table is the
6 variable of British-built, British-operated, and a
7 winter season, and it makes much easier any other
8 analysis. Once we change the block efficiency of
9 the ship, any analysis becomes much more complex.

10 I think in view of the discussion we have
11 had, Mr. McLagan, we should offer to prepare a table
12 for the biggest, ordinary, deep-sea ship that could
13 come into the Lakes and match it against this.

14 Then, Mr. Chairman, if you wish us also to
15 prepare our figures for a composite ship, that can
16 be done. But I think this table was meant for a
17 different purpose than the one it is being used
18 for now. I think you would substantiate that,
19 Mr. Wiley, wouldn't you?

20 COMMISSIONER BELANGER: As I understand it,
21 you did not want to have too many variables?

22 MR. LOWERY: Quite.

23 COMMISSIONER BELANGER: It was tendered for
24 that purpose.

25 MR. LOWERY: Yes.

26 COMMISSIONER BELANGER: From this column
27 here you can, depending on the hypothesis, make
28 various assumptions.

29 MR. LOWERY: If we had put down two eight
30 thousand ton ships you might have said, "You are



1 not actually using 8,000 ton ships". If we had
2 taken a big Canadian ship against an 8,000 ton
3 British ship, there would have been variables there
4 that were not evident. But you can measure it
5 against our figures to get a better appreciation
6 of how they compare. That was the intention.

7 MR. McLAGAN: It would have been dangerous
8 for us to put the fuel factors in because ships
9 travelling on the Lakes travel in restricted water
10 so that they cannot travel at full speed.

11 MR. LOWERY: I think the point the table is
12 trying to show above anything else is that almost
13 all the other factors pale into insignificance
14 against the 15% cost differential for similar ships.
15 That is the point we have been trying to get at
16 here. Also, of course, the difference between the
17 \$3 million and the \$4½ million is assuming one as
18 a British building cost and the other a Canadian
19 building cost. They are meant to be the same
20 ship, one built in Canada and the other built in
21 Great Britain.

22 COMMISSIONER BELANGER: About over-time, one
23 ship will have over-time and the other not have
24 any. Is there any ground for that?

25 MR. McLAGAN: It is most difficult for us
26 to find out. We have tried to find out what the
27 British people do with their crews. All we can
28 find out are the wage rates they have given us.
29 We have put down what we have to pay. That is
30 why I say if you can ask the British owners what



1 they have to pay you will know exactly. We do not
2 know. We cannot find out. We only know the base
3 rates that the men get.

4 Q. So the over-time here on the Canadian
5 ship is what ---

6 A. What the Unions demand for the
7 unlicensed personnel.

8 MR. LOWERY: And that is an actual average
9 which it works out to on our own vessels. They get
10 paid for Saturday and Sunday work if they are
11 working. When we take the total wages paid in a
12 year and take the amount of over-time which is
13 paid, we find the over-time is approximately 22%
14 of the base rate.

15 COMMISSIONER BELANGER: And on British ships
16 you do not put down over-time because you do not
17 know or because there is no over-time?

18 MR. McLAGAN: All we have been able to find
19 out from the British owners is what their tables
20 are. That is something you can easily find out,
21 what it costs per year, divided per month or
22 per day.

23 MR. LOWERY: We do know they do not pay the
24 same over-time rates as we do, but we do not have
25 the details.

26 MR. MUNDELL: Q. I wonder if the revised
27 tables might cover three types of vessels? I was
28 wondering if it would be possible to compare it
29 to the largest, ordinary, ocean-going vessel that
30 could come up with an Upper Laker, then a composite



vessel, and then a British Laker that came up here?

I was just thinking of the capital factor there.

MR. LOWERY: What?

MR. McLAGAN: A large vessel that would come from the ocean, a British Laker, and a composite vessel.

MR. LOWERY: You realize this is only dealing with costs and does not show the earnings during the other four months.

MR. McLAGAN: Oh, no, it has to be conclusive. We have to take into account the earnings on the Lakes and if they are an ocean-going ship what they are doing outside the Lakes.

MR. LOWERY: This table is really only showing the percentage cost disadvantage despite the fact that the other ship can operate during the winter. With the composite vessel itself, it is quite possible we would have to assume some kind of freight rate during the winter months.

MR. MUNDELL: Q. This is only eight months costs, isn't it? Oh, yes, I see.

MR. LOWERY: On costs we can take the figures out but, as I said this morning, you cannot really compare the efficiency of the ships on that straight basis when you get down to that composite vessel.

MR. McLAGAN: Let us be sure about what we are talking of. The figures we have made up are to allow for the fact they can amortize their ships over a longer period than we can. So we



1 get back to an eight months basis. Any figures we
2 can give are the same as these. They are an
3 estimate. We have not access to the books of other
4 people.

5 MR. MUNDELL: Q. Is there no method of getting
6 down to say something like a ton mile or a ton day
7 to compare the cost of operation of the two ships?
8 I am thinking now strictly of bulk cargo.

9 MR. McLAGAN: Well, we gave in our review
10 this morning two figures to compare with the
11 Americans. We gave the figure in ton miles which
12 we explained to you was not a true comparison
13 between the two countries because of the time
14 factor of the Welland Canal. I have forgotten
15 where it is.

16 Q. Could this sort of comparison between
17 vessels be arranged or analyzed on a ton mile basis
18 or a ton day basis, something of that sort? I mean,
19 you are the experienced operators of ships.

20 MR. LOWERY: If we did get them out, we do
21 not know what you could do with them because we
22 do not know what to do with them ourselves. We
23 do not know what answers to get out of the figures.

24 MR. McLAGAN: To answer your question, we
25 gave you this morning the ton mile cost to our
26 customer, the Steel Company of Canada, for carrying
27 the ore down Lake Superior to Hamilton as .170 cents.
28 And we gave you the ton mile cost of the same
29 product being carried into Lake Erie ports. And
30 we pointed out that our figure was 16% less but



that did not tell the whole story. It had to be related to cost per 1,000 ton days and when we did that, the difference became 23% less.

Now, that is the ton mile cost to the consumer. That is not our cost. We have already given you our costs and we have already given you the return on capital of those ships.

Q. What is troubling me is that there is no method of comparing the operations of two ships from the point of view of cost that takes into account questions like efficiency.

A. If we take two ships and we know what they carry and we know what they cost, we then can compare them.

Q. But only by a table of this character?

A. Well, we have to get at the facts. I mean, we have one fact, our own, and we have to try to get the other facts. We will give you what we think the other facts are, but it is just an estimate.

Q. Mr. Lowery said a moment ago if you did get the ton mile costs, it wouldn't mean anything. I do not understand that.

A. It would mean something if you took two runs say from Allouez, say, to Hamilton, of two different ships.

Q. Would you explain that?

A. If we took the two ships running from Allouez to Hamilton and we had all the cost factors and compared them, it would then be



comparable. It would not be comparable comparing the ton mile to Hamilton and then, say, Montreal to Liverpool.

Q. That is, these vessels will be all operating in the same run?

A. Oh, what you want us to do is take two ships and show what they would do running on the same route and carrying the same commodity, and receiving the same selling price?

Q. Yes. You were going to say something, Mr. Lowery?

MR. LOWERY: I was going to say if two ships are to be compared on the basis of their operating costs per ton mile, if they are of two different sizes, if one ship is carrying 10,000 and another 20,000, it gives you no indication of your return on your investment, the rate per ton mile. If we take, for example, as a simple case, two ships, one of 10,000 tons and one of 20,000 tons, and at the end of any given voyage we find that the small ship has cost .2 of a cent per ton mile and the other has cost .3 of a cent per ton mile, the first, you would be inclined to think, the smaller ship, was more efficient than the bigger ship, but the bigger ship might have done the voyage in six days whereas the other vessel took nine days. That is one variable that is not taken into account in that calculation. Having done it in six days instead of nine days, it would have only had a cost which might be considered to be equal to the other's.



If you then say, "Don't let's deal with a ton mile cost, let's deal with a ton day cost", you find if the first ship, the smaller ship, has \$2,000 per ton day, and the second ship has \$4,000 per ton day, you will say, because the second ship has twice the capacity, that the two ships are the same, but the second ship has still only had six days' expenditures to carry that cargo as against the first ship's nine days. So you cannot just look at a ton day figure and say that shows you the real result.

The freight rate is on a ton basis, so much per ton, and if you take it on a ton basis you get into a further complexity.

The only way I know to go about it is to take the ships and put them completely through a season of operation on paper, and don't forget that none of these things take into account the return on the capital invested or the relative flexibility of one ship as compared to another. For example, as I pointed out this morning, the composite ship will look worse than the other ship. However, it is still a good thing to do. And then when you take two ships, the ton mile system is very good to compare two sister ships, both costing the same amount of money, to find out if the crew is operating any better in one case than in the other, if they are using more fuel or if they are getting a smarter turn-around. But as soon as you introduce differences in dimensions or speed, you



1 really have to produce the figures and then sit
2 down and analyze the case on its merits. It can
3 be done, but not necessarily on a cost basis
4 because -- I'm sorry, Mr. McLagan, if I am taking
5 this over ----

6 MR. MUNDELL: Q. I must say it is a point
7 that has been very puzzling to me, why we always
8 wind up with this, as it were, uncomfortable table.
9 Is there no other way?

10 MR. LOWERY: The other point is that it
11 appears to be that freight rates are directly
12 connected with cost, which is not so. The very
13 fact that one ship has an extra four months of
14 operation may mean that although his costs may be
15 high there is the fact inherent there that he can
16 earn that extra money in the additional time.
17 It is really very difficult to equate these
18 matters. That is why Mr. McLagan and the rest
19 of us thought the thing to do was to set down
20 these differences where we feel we suffer dis-
21 advantages. We would be very happy, if you get
22 the cost of a ship and we get the cost of a ship,
23 to sit down then and list the things, as we do
24 ourselves, and show the exact position. But it
25 is very difficult to do it by any formula.

26 COMMISSIONER BELANGER: So the best method
27 of comparison would be to take the gross revenues
28 of two ships, the total expenses of the two
29 ships, the capital cost involved, and then com-
30 pare their net return on the investment in the



1 case of both ships for a whole year.

2 MR. LOWERY: Taking into account flexibility
3 and all these other indeterminate factors that do
4 not have percentages on them but which, if you
5 take them into account, can help you to come to a
6 conclusion in the matter.

7 MR. McLAGAN: The end result of that will be
8 that then we will see whether the Canadian ships
9 can compete at the revenues that somebody else
10 would take them for. When presenting these
11 figures to-day we had no intention of inferring
12 that some one had a quarter of a million dollar
13 advantage on us. We put the tables down first to
14 give you our costs and then to enable us in the
15 future to evaluate whatever the British costs
16 proved to be. That is why we put them down in the
17 way we did, the variable factors and the fixed
18 factors.

19 MR. MUNDELL: I think you mentioned a moment
20 ago that you could give us the ton mile costs in
21 relation to two ships running on the same run?

22 MR. McLAGAN: We can do that. However, I
23 don't know what you mean by costs. When I talk
24 about ton mile costs I talk about ton mile costs
25 to the consumer. If we take one run and two ships
26 and we know all the factors, we can put down what
27 the expenses are and what the earnings are and
28 what the profit is and, after having done that,
29 we can figure the ton mile cost, if you like.
30 But the total figures will tell the story.



1 Q. I was approaching it with the idea of
2 taking each type of ship and working through them,
3 the ordinary ocean freighter, the British Laker
4 that would come over, the tramp or, rather, the
5 composite vessel, which of these you were most
6 fearful of. Would you be fearful of serious
7 competition from tramp steamers?

8 A. Certainly.

9 Q. In what way?

10 A. Because they will go up the Lakes and
11 quote a distressed rate and pull the whole structure
12 down.

13 Q. What would they take up with them?

14 A. They might be taking up general mer-
15 chandise, cargoes going to Chicago or other places,
16 and go over to Fort William and quote a distressed
17 rate on something and take it down to Montreal.

18 Q. How much westbound package freight for
19 general cargo is there?

20 A. I do not know. All I know is the state-
21 ments that have been made forecasting some huge
22 amount of freight that is going to come from over-
23 seas up the Seaway.

24 Q. Then you are fearful of the tramp?

25 A. I am fearful of the distressed rates
26 that would be quoted by some of these ships.

27 Q. Ordinary ocean-going vessels?

28 A. Yes.

29 COMMISSIONER BELANGER: Do you mean in the
30 package freight only?



A. No, we are talking about the bulk now.

We have explained as to the package freight, that a great part of the income dollar is spent on stevedoring and therefore on that account British ships travelling in our waters would have to pay the same as we did because it is on land. The advantage would be afloat.

MR. MUNDELL: Q. In the bulk you would fear the ocean-going vessel coming up as a tramp?

A. Or if times were bad ships would go up there and quote anything to keep going. We have seen the great fluctuations in the ocean rates.

THE CHAIRMAN: What would this bulk cargo be that this tramp would pick up?

A. Ore, coal, grain and limestone.

THE CHAIRMAN: Grain? Is it going to carry a bulk cargo of grain and dump it and go back?

A. They might. We had two British ships trading from Collingwood to the Head of the Lakes all year in 1953.

Q. I know, but these are tramps that came in.

A. These were tramps but they were small tramps.

Q. They stayed in the coasting trade?

A. They did.

Q. Well, that isn't what we are speaking of now. We are speaking of a tramp coming in with a load of mixed freight to Chicago and then going over to Port Arthur and picking up grain and



1 taking it to Montreal and dropping it off.

2 A. And going back for more.

3 Q. And going back for more?

4 A. Yes. And if things were bad on the
5 ocean they would be induced to come into the Lakes.
6 Why wouldn't they? It presents an opportunity they
7 never had before.

8 MR. MUNDELL: Q. Then you are fearful that
9 the British -- U.K. -- ships will contract to carry
10 the ore? They will undercut you on your contracts
11 in that respect?

12 A. Yes. They would not be able to undercut
13 us until the contract was over, but very few con-
14 tracts are for an extended time.

15 COMMISSIONER WICKWIRE: That would be inter-
16 national trade, would it not, Mr. McLagan? Your
17 bulk cargoes are mainly in the international trade?

18 A. At the present time they are, but when
19 the Seaway is over we can carry from Seven Islands
20 to Hamilton, or the Soo, or Port Colborne, which
21 we hope to do.

22 THE CHAIRMAN: Referring to the example you
23 gave a moment ago, I can understand some fear of
24 what you call a distressed rate coming down the
25 first time to Montreal and dumping it off, although
26 I cannot imagine why they would dump it off instead
27 of going across the ocean because that is where it
28 has to go eventually, but when you speak of going
29 back for more, that is beyond the distressed
30 cargo element of it, to quote a distressed rate



on that. That is, in the coastal trade, competing against all the advantages of your big ships?

A. Your lordship, if they had no other work to do, why wouldn't they do that? They were flat no more than 15 months ago.

Q. What was it 15 months ago as compared to now?

A. They were about 35 shillings at the time.

Q. What was that time?

A. It was in the summer time. We had two British ships trading between Collingwood and the Head of the Lakes. I think they were called the East Wind and the East Tide.

Q. These two ships hardly are much of a fleet from what I saw in the St. Mary River and in the Detroit River. Two ships are about ten minutes out of a 24 hour day in those waterways. So unless there were more than that, I cannot quite see it.

A. When the Seaway goes through big tramps can go up there. These were small ships of 3,000 tons, but they stayed there all summer.

MR. MUNDELL: Q. That is where this table becomes important. Can those ocean-going ships compete with your big ones? You are talking about the vessel that is the ordinary ocean-going tramp, coming up and competing. Can she compete?

A. I don't know, actually, of course. I think they can. I have not got access to the costs of the British tramps.



1 Q. Well, this table does not take into
2 account the competition between that type of vessel
3 and the Upper Laker, does it? It does not illustrate
4 that?

5 A. The tables we made, these tables were
6 made for a ship close to 17,000 tons comparable to
7 our own. I do not know the costs of a British
8 tramp. I think if this Commission can find out,
9 it would be most revealing.

10 COMMISSIONER BELANGER: Q. If I understand it
11 correctly, the British tramp will compete for
12 distress cargo, firstly, and then she might compete
13 also when rates are down?

14 A. Yes. We are afraid they will go up
15 the Lakes and say to the Wheat Board, "We will carry
16 the grain", or they will go to one of the Steel
17 Companies and say, "We will carry ore or limestone"
18 for some very low rate. We fear that.

19 MR. MUNDELL: Q. That would not affect your
20 contract basis because they would not contract on
21 a basis like that?

22 A. We have very little contract work and
23 I suspect we won't have any at all later on.

24 THE CHAIRMAN: I thought you told us this
25 morning that ore carriage was all contract?

26 A. No, I said we had one contract.

27 MR. MUNDELL: I was certainly under that
28 impression too, Mr. Chairman.

29 A. We have one written contract in the
30 Canada Steamship Lines.



1 MR. MUNDELL: Well, that was my impression.

2 THE CHAIRMAN: Q. How else do you get your
3 ore carriage?

4 A. The ore?

5 Q. Yes?

6 A. By word of mouth.

7 Q. For each individual load?

8 A. No, we go to a company and we make an
9 arrangement to carry the ore, but there is nothing
10 written about it. We have only one contract that is
11 written.

12 Q. Well, whether it is written or not, I
13 was not engaged in an investigation of the legal
14 formality of enforcing it, but only inquiring as to
15 how you got it. You said it was not a contract.
16 Now, you tell me it was a contract that was arrived
17 at verbally?

18 A. It would not prevent any traffic manager
19 from booking a cargo of ore.

20 Q. Well, if a particular man binds himself
21 orally to give you so much ore to carry at a certain
22 time, surely that is a contract?

23 A. He doesn't necessarily say he will not
24 have somebody else carry some of it. We are
25 carrying ore now for the Algoma Steel Corporation
26 and other people are carrying it also.

27 Q. Well, it isn't an exclusive franchise,
28 but that doesn't affect the contract?

29 A. We would do all we could, of course,
30 to make it exclusive but it isn't necessarily



exclusive.

1 Q. That wasn't the question put to you.
2 The question that was put to you was, don't you
3 carry your ore by contract, and you said no, and
4 only this morning you said yes. The difference in
5 so far as grain is concerned is that each individual
6 load of grain you carry is canvassed by your agent?

7 A. That's right.

8 Q. Then we have got down to the fact, I
9 think, that ore is being carried by contract?

10 A. The ore is not carried by a written
11 contract except in one particular case, and I think
12 we are the only company that has such a contract.

13 MR. MUNDELL: Q. Was it by an arrangement
14 made for a season?

15 A. Yes.

16 Q. Or more?

17 A. Yes.

18 Q. It was an arrangement that was to stand
19 up for a whole season?

20 A. Yes, but we have no assurance that that
21 would continue. We solicit at the beginning of the
22 season and there is no reason why nobody else cannot
23 solicit it.

24 Q. Would you say that the steel companies
25 would rely substantially on tramps for moving
26 their ore?

27 A. I sincerely hope they won't, but if
28 the traffic manager receives a quotation from some
29 British tramper that he is willing to carry it
30



1 for 20 cents a ton or 30 cents a ton less, it will
2 certainly affect us.

3 Q. Isn't it inconceivable that any steel
4 company would not have its arrangements made to
5 move its ore for the season as a minimum if not
6 longer, and that they would not be relying on tramps
7 coming up? Surely the tramp would not affect that
8 type of business?

9 A. We are in hopes that when the steel
10 companies come here, they will tell you they would
11 rather rely on us.

12 Q. I would have thought it was obvious
13 that they would not rely on the casual tramps?

14 A. No, but if they can pull our rates
15 down with the casual tramps, they might. Traffic
16 managers are notorious for doing that.

17 THE CHAIRMAN: That is only a potential
18 competition argument. I am afraid I could never
19 understand it, that a person can have his prices
20 driven down because a prospective purchaser can
21 get his goods from another man -- or services.

22 A. With all due respect, sir, that is
23 the way prices are driven down, because we do not
24 know who the other fellow is. In the case of the
25 Seven Islands ore, they came right out and said
26 what the price was driven down to and who it was,
27 and gave us an opportunity to meet it.

28 MR. MUNDELL: Mr. Chairman, I was wondering
29 if we might have a recess now.

30 THE CHAIRMAN: Yes, ten minutes.



1 ---A short recess.

2
3 MR. MUNDELL: Q. We were on the subject of
4 your fear of competition in the ore trade. I
5 suggested to you that the steel companies would
6 require, in having their ore moved, more stability
7 than just having casual tramp service available.

8 A. Yes, but we are afraid that leverage
9 would be used to knock our prices down.

10 Q. As a matter of fact, the ore you are
11 now carrying is in international traffic, so that
12 situation will develop regardless of what
13 restrictions are put on?

14 A. Yes, on international traffic. Seven
15 Islands to Hamilton would be coastwise traffic.

16 Q. That is where you fear the competition?

17 A. Yes. We fear the international
18 competition but we cannot do anything about it.

19 Q. Seven Islands to Hamilton is the route?

20 A. Before we leave this subject I would
21 like to make a statement to his lordship about these
22 contracts. We have no contracts for the ore
23 except one, and in respect to the others the
24 companies can cut us off, if they wish, and they
25 can change the price if they wish. We have no
26 legal recourse in any of the contracts except the
27 written one.

28 Q. Then in the grain trade you would
29 feel that British vessels would take trade away
30 from you there because it is on a cargo-by-cargo



1 basis, is that correct?

2 A. That's right. And also in the grain
3 trade, as far as the coarse grains are concerned,
4 of course they are not dealt with by the Wheat
5 Board, they are dealt with by individual shippers.

6 Q. Does that really make any difference?

7 A. Well, they play one against the other
8 now.

9 Q. I am not sure that you are not worried
10 about competition as such, rather than competition
11 by anybody in particular. That is one of the
12 inevitable consequences of being in business.

13 A. Oh, no, the Canadian Lake carriers
14 have fairly comparable costs and expenses. The
15 interjecting of these people into it is what gives
16 the individual shippers a greater leverage than
17 they ever had before. It does not take much to
18 drag the rates down.

19 THE CHAIRMAN: Q. Is this on the same
20 distress basis, Mr. McLagan? Or what is it?

21 A. It is what I would call sporadic
22 trading.

23 MR. MUNDELL: Q. Would you expect the tramps
24 to get into the grain business other than on a
25 distress basis, the odd ship?

26 A. Depending on what the world conditions
27 are, yes.

28 Q. Or would you expect British ships to
29 come and operate here all season? Would you
30 fear that?



1 A. Yes.

2 Q. On that type of trade the question
3 simply would be: can you compete with them on the
4 basis of efficiency, costs and so on?

5 A. That's right.

6 Q. In that connection could you let us
7 have a comparison on a ton mile or similar basis
8 for two assumed voyages from Fort William to
9 Montreal of two different vessels, the British and
10 yourselves?

11 A. I would rather make it to Kingston
12 because we haven't been to Montreal yet.

13 Q. Kingston? Could you let us have that
14 comparison?

15 A. Yes, we could.

16 MR. LOWERY: What two vessels are they?

17 MR. MUNDELL: Well, three vessels actually,
18 Upper Laker, an ordinary ocean-going British vessel,
19 and the composite vessel.

20 MR. LOWERY: An Upper Laker ---

21 MR. MUNDELL: An ordinary ocean-going vessel.

22 MR. LOWERY: Of the sort of bigger size?

23 COMMISSIONER BELANGER: The biggest size
24 that can go up.

25 MR. MUNDELL: United Kingdom, and the
26 composite vessel.

27 COMMISSIONER BELANGER: There would be
28 another one, a Laker built in England.

29 MR. LOWERY: And operated by a British
30 crew?



1 MR. MUNDELL: That's right. A Canadian built
2 and operated Laker, a United Kingdom built and
3 operated Laker, a composite ship, and the largest
4 ocean-going ship that can function there.

5 MR. LOWERY: Only one of them will be factual,
6 of course. The others will be estimates.

7 MR. MUNDELL: That could be done though,
8 could it, on a definite voyage from Fort William to
9 Kingston?

10 MR. McLAGAN: We will give you our own. We
11 will do the best we can to estimate what the other
12 fellow's costs are.

13 MR. LOWERY: You want it on a ton mile basis?

14 MR. McLAGAN: Excuse me, we will give them
15 the revenues and expenses, the miles, and anybody
16 can do what they like as to the ton mile.

17 MR. MUNDELL: And time.

18 MR. McLAGAN: And time.

19 COMMISSIONER BELANGER: And, of course, the
20 capital involved.

21 MR. LOWERY: Yes.

22 COMMISSIONER BELANGER: So if we want to
23 compute the return on the capital investment we can.

24 MR. LOWERY: Yes.

25 MR. MUNDELL: And assuming they are all new
26 vessels.

27 MR. McLAGAN: That's right.

28 MR. LOWERY: Yes.

29 MR. MUNDELL: I am sorry you sounded sort
30 of dismal.



1 MR. LOWERY: I am not at all dismal, only I
2 would like to be able to come to conclusions from
3 the figures myself but I doubt if I can.

4 MR. MUNDELL: Q. We have gone through the
5 ore trade where you expect competition and dis-
6 cussed the grain trade, where you expect it from
7 both tramps and regular vessels dealing here,
8 and the package freight you are not concerned
9 about particularly?

10 MR. McLAGAN: A. If British operators come
11 over here and do exactly the same as we do, then
12 of course they will have some advantage over us on
13 the wage and capital cost, but not the same
14 advantage because of the land expenses.

15 Q. They would also need licences?

16 A. They have got to get licences.

17 Q. So that in that sense you are pro-
18 tected?

19 A. I would not say we were protected
20 about licences. I cannot speak for the Government,
21 whether they will give them licences or not. I
22 would hope they would not.

23 Q. In connection with the alternative to
24 your proposed restriction, Mr. McLagan, if a sub-
25 sidy were paid by the Government, a construction
26 subsidy, and the Australian requirements that the
27 Canadian wage rates be paid, would not that be the
28 equivalent of, the two of them, would that not
29 remove all your difficulties?

30 A. Well, it would remove the difficulties



1 of -- the economic difficulties, but it would not
2 solve the difficulties of the shipyards in Canada.

3 Q. I am talking about operating.

4 A. I also have no confidence in their
5 subsidy, because I do not know how the Government
6 is going to decide whether to give Captain Misener
7 or ourselves a subsidy.

8 Q. Supposing the subsidy is based on the
9 difference of cost of building a ship here and the
10 cost of a British ship, leaving out the adminis-
11 trative difficulties which would exist, could not
12 a person who wants to buy a ship then shop around
13 in any yard he likes? Would that not solve the
14 ordinary competition?

15 A. In Canada?

16 Q. Yes?

17 A. If they gave them a subsidy for building
18 that would solve the problem of the shipyards
19 because they would shop around the Canadian ship-
20 yards for a difference in cost and it would also
21 solve the cost advantage of the British owners.

22 Q. That would leave only one disadvantage,
23 would it not? That would be wages?

24 A. That would get down to wages and
25 repairs.

26 Q. That is correct. Now, if the
27 Australian pattern were followed, which required
28 non-Canadian ocean-going vessels in the coasting
29 trade to pay the Canadian wage rates, would that
30 not remove the wage problem?



1 A. It would remove the wage problem if it
2 was air-tight. I have no confidence of it being
3 air-tight. However, I know nothing about the
4 Australian laws but probably it could be found out.

5 Q. The information before the Commission
6 is that it is very effective, actually?

7 A. It would still only be part of their
8 operating year, of course.

9 Q. Would you think that would give them
10 sufficient competitive advantage to make it
11 impossible for you to compete?

12 A. I would think it would still give them
13 some edge, because your capital cost would be
14 lower, a longer year. Their repairs would be
15 lower, supplies would be lower.

16 Q. Your Upper Laker would have sufficient
17 efficiency to overcome the advantage of an ordinary
18 ocean-going vessel, would it not?

19 A. I would think -- I must admit it would
20 come very close.

21 Q. About repairs, would that be a
22 sufficient disadvantage to prevent you from com-
23 peting?

24 A. Well, repairs will get down to X
25 thousand dollars per year, whatever they are,
26 \$15,000, \$20,000, \$25,000, whatever they are.

27 Q. What would be the average repair wage
28 on an Upper Laker, assuming no casualties?

29 A. I think that these run somewhere
30 between \$40,000 and \$60,000.



1 Q. What about the canaller?

2 A. Well, the canaller, I think they run
3 around anywhere from \$10,000 to \$20,000.

4 Q. The medium sized Laker?

5 A. Well, the medium 12,000 tons, there
6 wouldn't be much difference between the bigger ships
7 and the medium sized ships.

8 Q. If a subsidy was paid and a British ship
9 would be required to pay Canadian wages while here,
10 how far would you think that would go towards
11 permitting you to compete, or have you had any
12 calculation or given any thought to it?

13 A. Well, it would bring it down to the
14 wages and repairs, which is a substantial edge.

15 Q. The point I am putting to you really
16 is this. You have asked for the extreme in pro-
17 tection and there are intermediate suggestions.
18 Have you done any calculations or figures as to the
19 effect of any of these intermediate steps?

20 A. Well, on the figures we have presented,
21 we have pretty well laid out here the various
22 variations in cost which will tell that. We get
23 down to the wages. We get down to the repairs.
24 We get down to the food and supplies. I would
25 think it would run around \$70,000 or \$80,000, or
26 something like that, in eight months.

27 Q. Have you done any calculation as to
28 how the Upper Laker would be in relation to the
29 ocean-going vessel with that large of a gap?

30 A. I would think it would be that large



1 of a gap.

2 Q. You have not calculated it?

3 A. We have made calculations here on
4 making this table up for you. These things are
5 broken down and within reason it brings it up
6 somewhere between \$60,000 to \$80,000.

7 Q. Assuming that was done, supposing the
8 subsidy was paid to meet the capital cost and all
9 these other steps were taken, you have purchased
10 during the last five or six years or constructed
11 large Lakers at a high cost. Has that high
12 cost been written off sufficiently to put you in
13 the same position as in a subsidy?

14 A. The cost is being written off over
15 whatever the law allows.

16 Q. These were all constructed under the
17 Assistance Act?

18 A. I don't think that has any bearing on
19 the case because these ships, if they were under
20 the Shipping Assistance Act, have operated at a
21 great loss because you cannot absorb this
22 depreciation. What you save in taxes now, you
23 pay in greater taxes later on. If it had not
24 been for that Act we would not have had any big
25 ships. We could not have afforded to build them.
26 It was a very wise move by the Government.

27 COMMISSIONER BELANGER: Q. It is just a
28 shifting of a burden?

29 A. It is a shifting of burden. It is
30 getting money in your pocket sooner than you



1 otherwise would.

2 MR. MUNDELL: Q. Did I understand you
3 correctly to say that you did not get the advantage
4 of that Act because you were operating at a loss?

5 A. No, I didn't say that. I said that
6 actually if you take the individual ship and apply
7 the Shipping Assistance Act, the ships are operating
8 at a great loss if you apply the 33-1/3% at the
9 present time to them.

10 Q. One thing I did not ask you earlier,
11 Mr. McLagan, in connection with your possible
12 competitors in the various trades. I asked you
13 about the ordinary ocean-going vessel and tramp.
14 Would you take the same position that the British
15 Laker could back you off the map in all of these
16 trades, the British built and operated Laker?

17 A. Sure.

18 Q. The same position in relation to the
19 composite ship?

20 A. That is right.

21 Q. One other thing that has me a little
22 puzzled, and that is if the composite ship has
23 these advantages, have you given any consideration
24 to the construction of a composite ship to meet
25 the U.K. competition?

26 A. We are awaiting to hear the results
27 of the deliberations of this Commission.

28 Q. Well, would that not be a wise move
29 to take in any event?

30 A. Well, I don't think that we wish to go



1 over to found a British company and operate out of
2 there.

3 Q. I mean building in Canada?

4 A. Well, that would be impossible.

5 Q. Why is it?

6 A. On account of the capital cost.

7 Q. In other words, it would be at a dis-
8 advantage in the Lakes because it would not be as
9 efficient?

10 A. I mean the capital cost would be very
11 high. We would have to have extra costs and if
12 we were going to go out and do that we would have
13 to go to Great Britain and do what we say we do not
14 want the British people to do. We have not given
15 up consideration of it. We hope we do not have to.

16 Q. You were approached in this problem of
17 a partnership?

18 A. Yes, we have not gone into that. We
19 did not go into it because the partners wished to
20 get a long term charter from the Steel Company in
21 the United States who will not do these things and
22 so it came down to the fact that we were going to
23 put up all the money. We saw no reason to put up
24 all the money and still have a partner.

25 Q. You mentioned there was no demurrage
26 payable in Canada. Yesterday there was evidence
27 that vessels loaded with grain received one-thirty-
28 fifth of a cent a day while lying waiting for
29 unloading?

30 A. That is not demurrage. That is



1 storage. If you wish to turn your ship into a grain
2 elevator you can go to the Grain Board and make a
3 deal. If you undertake to take grain from Fort
4 William and your ship is held up from unloading you
5 get nothing.

6 Q. I realize that is not demurrage.

7 THE CHAIRMAN: Q. That is not what was said.
8 It was said that the storage covered was a different
9 payment, being a payment of three cents a bushel
10 whether stored for a day or for the winter.

11 A. It has to be a storage contract. On
12 the charter of ships or cargoes ---

13 Q. A contract. One-thirty-fifth of a
14 cent of a bushel per day was paid and the ships
15 were lying right out here in this river.

16 A. It must be a storage contract. The
17 ships I recorded in my brief, money had been lost
18 to us waiting to unload. That was a dead loss to us.
19 I know of no other part in the world where unlimited
20 free demurrage is given.

21 MR. MUNDELL: Q. One-thirty-fifth of a cent
22 is a payment that is received while the vessel is
23 lying waiting to unload?

24 A. That is a deal that you make with the
25 Grain Board to store grain for them.

26 Q. It is the same result, is it not?

27 A. It is not the same result, no, sir.

28 Q. How does it differ?

29 A. Because you have got to go and con-
30 tract to take a storage contract for a ship.



1 We have had two ships for which we did not have any
2 cargoes and they were sold or contracted for to
3 store grain. We could not use them for anything
4 else.

5 Q. That was during the season?

6 A. During the season. We were fortunately
7 able to get them unloaded and relieved of the
8 storage contract. They are now carrying ore and
9 coal for which there is a great upsurge.

10 Q. In connection with the delays on the
11 Welland Canal. Have you studied what you think
12 the effect would be of the change in the composition
13 of the fleet after the Seaway with the larger
14 vessels? Have you studied the possible effect of
15 that in relation to the congestion at Welland?

16 A. A great many people are saying that
17 when the Seaway goes through the small ships will
18 disappear and they will be replaced by big ships
19 and the congestion will disappear. Well, of course,
20 that is only a statement. We do not think that
21 will happen and we think if this fifty million tons
22 is impinged on the Welland Canal along with the
23 twenty million or nineteen million tons now, that
24 our congestion is actually going to get worse.

25 Q. You think it will get worse, although
26 you agree that the fleet is going to change in its
27 composition. There is going to be a change ---

28 A. If it changes, it is not going to
29 change the day the Seaway opens.

30 Q. There was a suggestion and there have



1 been suggestions made in Winnipeg and other places
2 that the Great Lakes are not as competitive as they
3 might be, in the interests of the people making
4 the representations. What comments have you to
5 make on that statement?

6 A. I cannot imagine anything more vicious
7 than the competition on the Great Lakes. There
8 are no conferences such as well known on the oceans
9 within my knowledge.

10 Q. You do not think the fact that there
11 are really four or five very much larger companies
12 than the others tends to make the competition less
13 effective?

14 A. You have not seen any evidence before
15 this Commission of any united front by the ship
16 owners.

17 THE CHAIRMAN: Q. I thought we had; a
18 united front of ship owners on the Great Lakes,
19 surely?

20 A. Well, I am here, sir, on my own.

21 Q. I know, but the Dominion Marine
22 Association brief says exactly the same thing
23 you do.

24 A. I disassociated myself with part of
25 the Dominion Marine brief.

26 Q. Which part of it?

27 A. The ship building part of it.

28 MR. MUNDELL: Q. You are asking for
29 restriction to Canadian built and registered?

30 A. Yes, I did not feel we could come



1 here and ask for everything for ourselves and nothing
2 for somebody else.

3 Q. You have a wider interest than the
4 rest of the Dominion Marine Association?

5 A. The interest is not big in dollars.

6 Q. The shipbuilding interest?

7 A. No.

8 Q. Even in peak years?

9 A. The investment I am talking about.

10 It has proved an advantage to us, the great upsurge
11 and regrowth of the natural products, because we
12 were able to get ships built for ourselves which we
13 otherwise could not have done.

14 Q. Do I understand it would not be a
15 serious blow to your organization if there was no
16 ship building?

17 A. We are suffering it now. We still
18 think that we will survive.

19 Q. You mean the shipbuilding?

20 A. We have very little shipbuilding now.

21 Q. You mean that the ship yards will
22 survive, or your organization?

23 A. No, the Canada Steamship Lines.

24 Q. In connection with the repairs in
25 relation to the shipyards problem. You have five
26 ship yards and you have this fleet. Do you know
27 how far the repair work of your fleet would go in
28 maintaining one or more of your ship yards?

29 A. Well, it amounts to about a million
30 and a half to \$3 million. It is now running



1 about \$1½ million to-day, so you can see that is
2 not very much among the ship yards of the Great
3 Lakes.

4 Q. Would it be sufficient to maintain the
5 Port Arthur ship yards?

6 A. No, because we have got to disperse
7 the ships for their winter cargoes or winter lay-
8 offs. Some of them are sold for storage in the
9 winter time and have to be parked in a certain
10 place. It is impossible for us to concentrate them
11 at one point.

12 Q. If the ship yards disappear I suppose
13 you will have to?

14 A. If the ship yards disappear we will
15 have to bear the extra cost of maintaining and to
16 repair our ships. By the time the Seaway goes
17 through we might be able to be a little more
18 flexible because we would have the use of the Davie
19 ship yard.

20 MR. MUNDELL: Those are all my questions,
21 Mr. Chairman. Thank you very much.

22 MR. L. COTE: I would like permission to
23 ask a few questions.

24 THE CHAIRMAN: Yes, proceed.

25 MR. L. COTE: Q. Are you familiar, Mr. McLagan,
26 with the Order-in-Council passed by the Governor
27 General in Council on April 25th, 1952, under
28 which 33 ships of your company's fleet were
29 exempted from the application of Part II of the
30 Shipping Act in respect of the transport of goods



1 between Montreal and Quebec and intermediate points?

2 A. No, I am not familiar with it.

3 Q. Would you know if that Order-in-Council
4 was passed on the representation of your company?

5 A. No, I wouldn't.

6 Q. Would there be some one else in your
7 company that would be familiar with that phase
8 of it?

9 A. I would not be surprised if Mr. Van
10 Wyck might be able to answer that question.

11 MR. GERITY: Mr. Chairman, would Mr. Cote
12 tell us the purpose of his inquiry? Has it any-
13 thing to do with this Commission or anything that
14 is part of it?

15 MR. COTE: I must say, Mr. Chairman, that it
16 is not pertinent to the examination in chief but
17 it is pertinent to the submission made by the
18 Canadian National Railway in their own brief, so I
19 would like to know for what reason this Order-in-
20 Council was applied for.

21 THE CHAIRMAN: Is the Canadian National
22 brief pertinent to the terms of reference?

23 MR. COTE: Well, Mr. Chairman, if you recall,
24 in the Canadian National brief we submitted that
25 at one point that the tonnage on ships to be
26 subjected to regulation should be lowered from 500
27 to 100 tons. I believe that the information that
28 would come out by this Order-in-Council would have
29 some relation with the submission we have made.

30 THE CHAIRMAN: I cannot see that that is



1 within any terms of reference but we have taken
2 the ordinary principle we will sift out the
3 irrelevancies at a future date, so under those
4 circumstances I will allow the question, not thereby
5 expressing any opinion on its relevance.

6 MR. COTE: No, I do not intend that this is
7 flowing from the examination in chief.

8 THE CHAIRMAN: No, I am not referring to the
9 examination in chief. I have never known cross-
10 examination that was in any way tied to the
11 examination in chief, but I am referring to the
12 relevance of it from the point of view of our
13 reference. I say I am highly doubtful of it, but
14 I am not going to make a difference here, and I
15 will straighten out the relevancy later.

16 Proceed.

17 MR. VAN WYCK: Will you repeat the question?

18 MR. L. COTE: Q. Are you familiar, sir, with
19 the Order-in-Council passed by the Governor General
20 in Council on April 25th, 1952, under which 33 ships
21 of the Canada Steamship Lines were exempted from
22 the operation of Part II -- application of Part II
23 of the Transport Act in respect to the transport
24 of goods between Montreal and Quebec and inter-
25 mediate points?

26 A. Yes. Our exemption from the operation
27 of Part II of the Transport Act of our vessels
28 engaged in the transport of goods between Quebec
29 and Montreal and intermediate points was secured
30 to compete with schooners in regular service and



1 also schooners in the so-called tramp business
2 which are available to any shipper or receiver for
3 them to write that chartered business. Such
4 vessels being free to underquote the company's
5 published rates to any extent necessary in order
6 to capture a large share of the business. It was
7 our desire that only vessels 500 tons or over are
8 subject to the Board of Transport regulations.

9 Q. So that if I understand correctly,
10 this exemption you have obtained was that you would
11 be no longer under any obligation to publish your
12 tariffs between here and Quebec?

13 A. No, not on local traffic.

14 Q. And these schooners competing against
15 you were not publishing any tariff?

16 A. No.

17 Q. Can you tell the Commission what the
18 tonnage was of these schooners competing in that
19 trade?

20 A. Yes, they would be anywhere from 200
21 to 250 to 300 tons.

22 Q. Was the traffic that was carried
23 commercially significant?

24 A. Well, I can say from memory that prior
25 to this Act our tonnage from Montreal to Quebec
26 was in the neighbourhood of 120,000 to 150,000
27 tons a year. To-day it is 12,000 tons, even
28 under this provision.

29 Q. In any event, the competition was
30 significant enough to cause you to apply for this



1 exemption?

2 A. Right.

3 THE CHAIRMAN: Even with that exemption you
4 have not been successful in taking it back from
5 the schooners, is that it?

6 A. Not exactly. We move freight from
7 the Upper Lakes, say the Detroit River, Windsor,
8 Sarnia, Leamington to Montreal, and then go on to
9 Quebec. We found by having this privilege with
10 a combination of the two, the local rate to Montreal
11 plus the rate from Montreal, and then to Quebec,
12 would establish and maintain the through business
13 for us.

14 The amount of local business going from
15 Montreal is a small matter and it is certainly
16 effective. Since that time other competition has
17 come in in the way of trucks and makes it quite
18 essential that we have the privilege.

19 Q. So that not only was there schooner
20 competition to cause the exemption, but there was
21 truck competition?

22 A. Right.

23 MR. COTE: Thank you, Mr. Chairman.

24 THE CHAIRMAN: Is there further examination
25 of Mr. McLagan? There does not seem to be any
26 one who desires the privilege, Mr. McLagan. Under
27 those circumstances I think we can adjourn until
28 10.00 o'clock to-morrow morning.

29 MR. MUNDELL: There was the question of Mr.
30 Lowery, Mr. Chairman.



1 THE CHAIRMAN: Have you any examination of
2 Mr. Lowery?

3 MR. MUNDELL: I just wondered if anybody else
4 had, as a matter of fact.

5 THE CHAIRMAN: Well, have you?

6 MR. MUNDELL: No, I have not, Mr. Chairman.

7 THE CHAIRMAN: Does anybody else wish to
8 ask Mr. Lowery any questions?

9 MR. MUNDELL: There was one document I would
10 like to file. It is a statement or communication
11 on behalf of the General Council of British Shipping
12 in reply to certain questions that were submitted
13 to them. With your permission I would just file
14 this as Exhibit No. 116.

15 MR. GERITY: Can we have some copies later?

16 MR. MUNDELL: Yes. This is one of the
17 exhibits. That is why we filed it, so you can see
18 it.

19 MR. GERITY: Thank you.

20 ---EXHIBIT NO. 116: Communication from the General
21 Council of British Shipping.

22
23 ---Whereupon the hearing adjourned until Thursday,
24 October 13, 1955, at 10.00 a.m.

25
26
27
28
29
30



1
2 THURSDAY, OCTOBER 13, 1955

3 ---On resuming at 10:10 a.m.

4 MR. GERIN-LAJOIE: Mr. Chairman, the two groups
5 appearing before us today are the C. P. R. and then
6 the C. N. R., but I understand that Mr. Gerity has
7 some evidence to put before you for about ten minutes
8 or so on behalf of the Dominion Marine Association
9 to complete the evidence which was put before the
10 Commission the other day.

11 THE CHAIRMAN: Yes, Mr. Gerity.

12 MR. GERITY: Thank you, Mr. Chairman. I
13 would like to call Mr. Rowan. Would you come
14 forward, please?

15
16 FRANK ROWAN, called

17 MR. GERITY: Q. Mr. Rowan, I understand you
18 are manager of the Canadian Wheat Board in the
19 Port of Montreal?

20 A. That is correct.

21 Q. And that you are assistant transport
22 controller under Mr. Milner?

23 A. That is correct.

24 Q. And that you have knowledge of such
25 matters as the storage of grain and special
26 contracts?

27 A. That is correct.

28 Q. Now, the question arose here on
29 Tuesday when I was personally giving some
30 information to the Board concerning a storage



1 charge presently being paid of 1/35th of a cent
2 per bushel?

3 A. Yes.

4 Q. Could you explain to the Board in your
5 own words just what that charge is, how it is paid
6 and what type of contract it is?

7 A. Normally in the winter months, the
8 Wheat Board does ship wheat for storage, to be
9 stored in vessels on the Great Lakes, that is
10 through the winter months, but in the last few years
11 because of the grain surplus and the slower
12 movement of the grain here in the summer, they
13 have made contracts to store grain on a special
14 summer storage, but it is a special agreement for
15 storing the grain, mostly in upper lakers that they
16 store, either laid up in Georgian Bay, perhaps a
17 few at Prescott, but at no time in the St. Lawrence
18 ports in canalliers, so that vessels that are here
19 at the present time or that will be here, (there
20 are none of them now), that were unloaded recently,
21 none of those receive any storage whatsoever, no
22 storage arrangement.

23 Q. Now, arising out of that, Mr. Rowan,
24 supposing the vessel comes into the Port of Montreal
25 laden with grain and was delayed for three or four,
26 five or six or seven days. Is there any charge
27 paid to the owner?

28 A. No charge paid to the owner.

29 Q. No charge whatsoever.

30 Mr. Chairman, that is all I have to ask. I



1 wished to clear the point up. Thank you, Mr. Rowan.

2 ---

3 MR. MUNDELL: Q. In connection with the
4 agreements that are made for this storage, how does
5 that come about?

6 A. Well, the vessel owners have a broker
7 in Winnipeg.

8 Q. Yes?

9 A. And they can very well see there is
10 not very much grain moving or, say, they have other
11 cargoes that are not moving, and they have a vessel
12 with nothing to do for a month or so and the Wheat
13 Board will give them an indication that not much
14 grain will go or they understand from commercial
15 sources that there won't be any coarse grains,
16 which is other than wheat, so their broker
17 approaches the Wheat Board and asks if they would
18 be interested in storing grain on the vessel for
19 a certain length of time, and then they arrive
20 at an agreement to store and set up a contract
21 for summer storage.

22 Q. The other situation that might arise
23 then is the broker just approached the Board to
24 see if there was a cargo to be shipped down?

25 A. That is correct, and the Wheat Board
26 will tell them, as in this instance, these
27 canalliers that were here, that there will be
28 something going down but very slowly, and so
29 they say "All right, we will take a chance and
30 put our canalliers here, just wait until space



1 becomes available.", but then when they actually see
2 it does not move then they might take an upper
3 laker and store grain on it, get a contract to store
4 grain.

5 Q. Who makes the selection which he will do,
6 the ship owner?

7 A. The ship owner, yes.

8 Q. He can offer to store at any time, can
9 he?

10 A.q Yes.

11 Q. Or he can just look for a cargo to ship?

12 A. Yes.

13 Q. But the arrangements are different?

14 A. The Wheat Board does not have to
15 accept the storage, but that is the ship owner's
16 decision.

17 Q. He applies or---

18 A. He will make an application for either
19 one.

20 THE CHAIRMAN: What is this 1/35th of a cent
21 per bushel, is that a rate that has been paid for
22 summer storage?

23 A. For summer storage, yes. That is
24 the rate that is now paid on some of the vessels
25 that are laid up.

26 COMMISSIONER BELANGER: Does summer storage
27 happen very often or is it unusual?

28 A. No, I think it is just the last two
29 years or so.
30



1 Q. The last two years?

2 A. Yes.

3 Q. But this has nothing to do with
4 demurrage, there is no demurrage at all?

5 A. Oh, no.

6 Q. And if the boat has to wait a week here
7 in Montreal---

8 A. To unload, or two weeks, there is
9 nothing, that is the vessel owner.

10 Q. Or two weeks, there is nothing paid?

11 A. I would say in every instance the ship
12 owner knows before he comes, that is left up to him.

13 MR. GERITY: Just one additional question,
14 Mr. Chairman, to clear up the matter.

15 Q. A ship that has accepted or applied for
16 this summer storage, would you consider it a
17 dead ship or one that was waiting its turn at an
18 elevator?

19 A. Some of them, in the contract there is
20 a clause that it is not to be unloaded unless the
21 permission is received/^{from}the Wheat Board, and others,
22 like those that are at Prescott, have a clause
23 in there which stipulates they can be unloaded
24 as space becomes available in the elevator.

25 Q. Thank you, Mr. Rowan. Have you
26 any more questions, sir?

27 THE CHAIRMAN: No, thank you.

28 MR. GERITY: Thank you sir, for that
29 opportunity.
30



1 MR. GERIN-LAJOIE: Mr. Chairman, Mr. J. A.
2 Wright is appearing as counsel for the C. P. R.

3 SUBMISSION ON BEHALF OF THE CANADIAN PACIFIC RAILWAYS

4 Mr. J. A. Wright, representing

5 THE CHAIRMAN: Yes, Mr. Wright. I was
6 somewhat confused to read the paper yesterday
7 evening and I checked my notes and found that the
8 Canadian Pacific Railway has not yet submitted
9 its brief, so we will hear it now.

10 MR. WRIGHT: Yes, I was a bit confused myself,
11 Mr. Chairman when I read that paper. I didn't know
12 I had such a strenuous day. I would like to call
13 Mr. C. D. Edsforth.

14
15 CHARLES D. EDSFORTH, called

16 MR. WRIGHT: Mr. Chairman, Mr. Edsforth,
17 as you may recall, appeared before this Commission
18 in Ottawa, and I would like to ask Mr. Edsforth
19 to give some additional evidence, part of which
20 he has prepared at the request of the Commission,
21 and in view of the additional evidence which he
22 is going to give, I would like, with your
23 permission, to give Mr. Edsforth's complete
24 qualifications. I find on reading the record
25 that they are very sketchy, so if I may I will
26 do that.

27 Q. Now, Mr. Edsforth, you received
28 your early education in New Brunswick, I
29 understand?

30 A. That is right.



1 Q. And you entered the service of the
2 Canadian Pacific Railway on November 1st, 1923 as
3 junior clerk in the office of the division freight
4 agent in Saint John, New Brunswick?

5 A. Yes.

6 Q. And appointed to the position of
7 claims clerk and assistant rate clerk in 1926;
8 appointed travelling tariff inspector in October,
9 1929; appointed rate clerk in the office of the
10 Assistant Freight Traffic Manager in Montreal,
11 June, 1930; chief clerk in the Division Bureau,
12 January, 1934; assistant to the General Freight
13 Agent, Toronto, July 1st, 1941; District Freight
14 Agent, London, Ontario, September 1st, 1947;
15 Assistant General Freight Agent, rates and
16 divisions, Vancouver, March 1st, 1948; assistant
17 to General Traffic Manager, Montreal, January 1st,
18 1950; Assistant General Traffic Manager, Montreal
19 on April 1st, 1954. And your total length of
20 service with the Canadian Pacific Railway is
21 32 years, that is all correct, is it?

22 A. That is right.

23 Q. And you have attended all the Ottawa
24 hearings of the Royal Commission on Transportation
25 in 1949 and 1950?

26 A. Yes.

27 Q. And you attended all the general
28 revenue cases before the Board of Transport
29 Commissioners from 1950 onwards?

30 A. That is right.



1 Q. In those various positions you have
2 had experience with rates and the rate regulating
3 provisions of the Railway Act and the Transport Act?

4 A. That is right.

5 Q. And your present duties are what,
6 Mr. Edsforth?

7 A. Well, they are generally supervisory
8 in many respects, general traffic duties with the
9 company.

10 Q. Over the whole system of the railway?

11 A. Over the whole system of the railway.

12 Q. And that includes passenger and freight?

13 A. Yes.

14 MR. WRIGHT: Now, Mr. Chairman, when the
15 Commission was in either Regina or Winnipeg, there
16 was some evidence given with respect to the breaking
17 point of grain rates from the Prairie Provinces
18 to Vancouver and Fort William. We had a map
19 showing the line and I just thought that the
20 Commission might like to have it filed as an
21 exhibit as it shows accurately where that line
22 runs. If the Commission would like to have it
23 I am prepared to file it.

24 THE CHAIRMAN: Yes, I think so. Both the
25 Canadian Pacific and Canadian National lines.

26 MR. WRIGHT: I have additional copies.

27
28 ---EXHIBIT NO. 117: Map showing breaking point
29 of grain rates, Prairie
30 Provinces to Vancouver and
Fort William.

MR. WRIGHT: Now, before dealing with that,



1 I might file a statement showing the rates on
2 grain from representative points in Western Canada
3 to Fort William and to Vancouver. I think that
4 might be of assistance to you in understanding that
5 map.

6 ---EXHIBIT NO. 118: Statement showing rates on
7 grain from representative
8 points in Western Canada to
Fort William and Vancouver.

9 MR. WRIGHT: Q. Now, Mr. Edsforth, is there
10 anything which you would like to say in explanation
11 of this Exhibit No. 117?

12 A. Yes, I would like to make perhaps a
13 few comments. First of all, bearing on the point
14 that the Chairman just raised. This map does show
15 both the Canadian Pacific and Canadian National
16 lines. Canadian Pacific lines are shown in red,
17 those of the Canadian National in green. Now, I
18 might say that in preparing this map and drawing
19 the line, it was based on the rates from Canadian
20 Pacific points, and while there might be some
21 slight variations if you have used the Canadian
22 National, the general direction and trend of the
23 lines would be about the same in my estimation.

24 THE CHAIRMAN: Well, this map, so that I
25 may understand it, is simply on the freight
26 payable from the country elevator to either
27 Fort William elevator or Vancouver elevator?

28 A. That is right, sir.

29 Q. And the line between the districts
30 is drawn on that basis. Is that the whole



1 story as to choice of shipping? In other words,
2 doesn't it cost more to send grain from Vancouver
3 to Liverpool than from Fort William to Liverpool?

4 A. It undoubtedly does, sir, and certainly
5 that map would not attempt to show that. I don't
6 think you could with the various fluctuations in
7 the water rate. No, this is simply intended to
8 show rail charges for hauling grain, as you say,
9 from country origins in the Prairies to Fort
10 William or to Vancouver when for export.

11 Q. But if I were a farmer some place
12 main
13 along the line in either Alberta or Saskatchewan,
14 I would not be able, by looking at that map,
15 to tell which way I would send my grain.

16 A. Well, only in this way, sir.

17 Q. I suppose I wouldn't have anything to
18 do with that anyway?

19 A. Under present conditions you would
20 not, no, but my understanding of the way the
21 wheat is sold, it is sold on the basis of in-
22 store Fort William or in-store Vancouver, and
23 the farmer gets paid on that in-store price less
24 freight charges into the elevator, so naturally
25 if the in-store price at Fort William is the same
26 as at Vancouver, then it is obviously to his
27 advantage to ship to whichever point the
28 freight rate is lowest. It has to be that way,
29 then he gets more of a return.

30 This map would indicate that from the
territory marked as A on this map it is cheaper



1 to send your grain to Fort William than Vancouver;
2 from the territory inscribed as B it is what you
3 might call neutral territory, that is the rates are
4 the same in either direction; then from the territory
5 described as C it is cheaper to send your grain to
6 Vancouver by rail.

7 MR. WRIGHT Q. That is all set out in the legend?

8 A. That is all set out in the legend.

9 Q. To the exhibit.

10 A. And I think Exhibit 118 does give
11 representative examples of the rates.

12 Q. The rates you have shown on Exhibit
13 118 are Canadian Pacific Railway rates?

14 A. Those are Canadian Pacific rates
15 except of course from points which are serviced
16 both by the Canadian National and the Canadian
17 Pacific Railway, such as Edmonton. When naturally
18 the rate is the same for both C. N. or C. P.

19 COMMISSIONER WICKWIRE: Is it the black
20 line that distinguishes Area C from Area B?

21 A. Yes, that is right, it is that black
22 twisting line.

23 MR. WRIGHT: Mr. Chairman, if that is all
24 on that exhibit, Mr. Edsforth has had prepared
25 another statement of traffic which is likely to
26 be exposed to increased water competition resulting
27 from the building of the St. Lawrence Seaway,
28 and I would like to file that as an exhibit.

29 ---EXHIBIT NO. 119: Statement of traffic likely
30 to be exposed to increased
water competition resulting
from building of Seaway.



1 MR. WRIGHT: Q. Mr. Edsforth, this statement
2 Exhibit 119 was prepared under your supervision?

3 A. Under my supervision, yes.

4 Q. And what is the source of the figures
5 shown in this exhibit?

6 A. The figures are derived from our
7 company's records, from our accounting department
8 records, and from statistics we file from time to
9 time with the Board of Transport Commissioners.

10 Q. In other words they have been taken
11 from the actual records of the company?

12 A. They have, that is right.

13 Q. And this is based on traffic handled
14 during the months of April to November inclusive
15 1953?

16 A. That is right.

17 Q. Now, would you just explain why you
18 used the months April to November?

19 A. Well, we used the months of
20 April to November because that is generally
21 speaking the period of the year in which there
22 is open navigation on the St. Lawrence River and
23 the Great Lakes, so we thought that in making
24 our estimates we should use this period. I
25 would like to add that while we have chosen
26 those months and shown the figures representing
27 those months, this is really representative of
28 what we would consider the annual traffic likely
29 to be subject to Seaway competition.

30 Q. And why did you use the year 1953?



1 A. Well, we considered 1953 was a more
2 representative year than, say, 1954, in which year
3 there was quite a heavy slump in traffic all around
4 and which we do not consider to be a normal con-
5 dition by any means.

6 Q. You used the word "exposed", in this
7 exhibit. What do you mean by that?

8 A. Well, I wanted to make clear the
9 distinction that we do not say in this exhibit
10 that we are going to lose all these tons of traffic
11 or all these dollars of revenue, that they are all
12 going to be lost to us as the result of the
13 building of the Seaway, but what we do say is this
14 traffic will be exposed, in our opinion, to
15 increased competition, and some of it (how much
16 we do not know) will be lost to us.

17 Q. Now, this statement has been set up to
18 include, I think it is, three categories of traffic?

19 A. Yes, three different categories of traffic.

20 Q. That is the import traffic and the
21 export traffic and the---

22 A. That is really in one category actually.

23 Q. Yes, that is one category?

24 A. Yes.

25 Q. And the next category is what?

26 A. Is the domestic traffic moving
27 locally within Eastern Canada, that is, between
28 St. Lawrence River ports and Great Lakes ports.

29 Q. And the third?

30 A. Is between Eastern Canada and



1 Western Canada, that is Eastern ports on the St.
2 Lawrence River and the Great Lakes and tributary
3 points of course, and points in Canada west of
4 Port Arthur.

5 Q. Would you like to make some comments
6 on the imports and export traffic?

7 A. Yes, I would. We have shown for
8 convenience import traffic separately from export
9 traffic, and import traffic is that traffic
10 coming through ports on the St. Lawrence River
11 and also on the United States North Atlantic
12 Seaboard and moving to points in Ontario and,
13 to a certain extent, to points in the United States,
14 Buffalo and West.

15 Q. Points on the North Atlantic Seaboard?

16 A. Ports there.

17 Q. What ports for example?

18 A. Well, there would be Portland, Boston,
19 New York, Philadelphia and Baltimore are the
20 principal ones. We handle a certain amount of
21 traffic through those ports, import traffic,
22 into Canadian destinations, and a certain
23 amount into United States destinations west of
24 Detroit. We have through rates and arrangements
25 that way.

26 Q. I was just going to ask you what the
27 major movement was.

28 A. Oh, the bulk of the traffic, of
29 course, is that moving import through the St.
30 Lawrence River ports to territory in Ontario.



1 That is by far the largest proportion of it. The
2 traffic moving through the St. Lawrence ports to
3 United States destinations and through United States
4 ports both to Canada and the United States, is a
5 small proportion of the total shown here of 119,000
6 tons and approximately \$1,900,000. We have also
7 shown some of the representative movements just
8 for the information of the Commission.

9 As to that traffic we feel that it is going
10 to be exposed to increased competition following
11 the completion of the Seaway for the reason that
12 heretofore or at the present time ocean-going ships,
13 the larger ones, at least, are forced to discharge
14 their cargoes at the St. Lawrence River ports,
15 and then the movement takes place inland by rail
16 and, as was said yesterday, some by the Lake
17 carriers; but with the opening of the Seaway with
18 a deeper navigation channel, it is quite clear that
19 ocean-going ships of much greater carrying capacity
20 will be able to penetrate into the Great Lakes,
21 instead of discharging their cargoes at Montreal
22 than they can carry them through to Toronto,
23 Hamilton, Windsor and Detroit, Chicago, ports
24 like that.

25 Now, the extent to which they will do that,
26 of course, is awfully difficult to determine. I
27 suppose a good deal will depend on world ocean
28 shipping conditions. That is, if there is plenty
29 of ocean cargo and fairly high rates, the deep-sea
30



1 ships may not find it so attractive to go into the
2 Great Lakes but rather would prefer a quick turn
3 around at the St. Lawrence ports. On the other
4 hand, if there is a scarcity of tonnage, ocean rates
5 are low, then deep-sea boats are likely to go into
6 the Great Lakes in search of additional revenue.

7 It looks as though there will be a certain
8 amount of fluctuation as world conditions vary,
9 and for that reason it is practically impossible
10 to say at this moment how much of this traffic we
11 may lose. There is this much to be said though,
12 that if ocean ships at times go into the Great Lakes
13 and other times do not, as world conditions vary,
14 it does still impose on the railways the necessity
15 of---

16 Q. Excuse me just a minute.

17 THE CHAIRMAN: We will have a ten-minute
18 recess.

19 ---Short recess.

20 ----

21 MR. WRIGHT: Q. Mr. Edsforth, you were just
22 explaining how the fluctuations which occur in the
23 availability of ocean tonnage affect the railways
24 and probably you might just deal with that?

25 A. Well, yes, I think I was just saying
26 that to the extent that this ocean tonnage coming
27 into the Great Lakes does fluctuate, it does impose
28 on the railways, as I see it, the necessity for
29 maintaining a standby capacity to handle traffic
30 when the ocean shipping is not there.



1 To do that, we of course feel that we must
2 have sufficient revenues to keep our plant in good
3 physical shape, able to handle the traffic as it
4 offers.

5 Going on to the export traffic, which, of
6 course, is the reverse of the import, it is traffic
7 that originates in Ontario and in the United States,
8 Buffalo and West and moves through the St. Lawrence
9 River ports and also to some extent through the
10 United States North Atlantic ports; and there again
11 the principal movement is from Ontario through the
12 St. Lawrence River ports and only a small part of
13 it moves through the North Atlantic ports.

14 It is subject to the same type of competition,
15 I would say, as the import traffic following from
16 the completion of the St. Lawrence Seaway, and
17 would be subject to the same fluctuations and
18 variations that I have just described.

19 Q. As it will be when the Seaway has been
20 opened?

21 A. As it will be when the Seaway is
22 opened, as we visualize it now. You notice that
23 the representative movements on export traffic
24 are more of the raw materials than is the case
25 on import traffic, the basic commodities as it
26 were.

27 Q. You are excluding grain?

28 A. I was just going to say that export
29 traffic is what we call general cargo. There
30 is another and perhaps the most important



1 category of export traffic, export bulk grain,
2 which is shown at the bottom of page 1 of Exhibit
3 119. By far the largest movement there is bulk
4 grain moving from the Bay ports, that is, the
5 Georgian Bay ports, moving actually through the
6 St. Lawrence ports for export, principally
7 Montreal.

8 Now, that tonnage, as you will see, is quite
9 substantial, about 1,067,000 tons with a revenue
10 of over \$4 million, and we believe that this
11 traffic will most certainly be subject to a
12 very great degree of increased competition when
13 the Seaway is completed, either by reason of the
14 large upper lake carriers being able to bring
15 bulk grain down from the Head of the Lakes directly
16 to Montreal and the other St. Lawrence River ports,
17 or by ocean deep-sea shipping going into the Lakes
18 and proceedings directly to Fort William and
19 picking up their cargoes there.

20 Q. What do you think is the future of
21 these Bay port elevators?

22 A. Well, they are there and of course
23 they have had in the past great value both as
24 storage elevators and as transfer points. It
25 would appear that their value as transfer points
26 is going to be lessened a good deal, but their
27 value as storage elevators will remain, particularly
28 in years when there is a big crop and perhaps not
29 moving very rapidly.

30 Of course, unless ocean shipping goes into



1 the Great Lakes very extensively to pick up grain,
2 there will have to be additional elevation
3 facilities provided at the ports, Montreal, Quebec,
4 Trois-Rivieres.

5 THE CHAIRMAN: I didn't hear the last part
6 of that sentence. There will have to be additional
7 elevators at Montreal and then I didn't hear it.

8 A. Other St. Lawrence ports such as
9 Trois-Rivieres, Quebec, Sorel and other ports
10 along there.

11 Q. Well, these Bay ports, don't you think
12 they will still fill up those elevators just at
13 the end of the season?

14 A. Yes, sir.

15 Q. So that grain can move forward by
16 rail to the Atlantic?

17 A. To the Atlantic.

18 Q. Not to the St. Lawrence but right
19 through to the Atlantic?

20 A. I think you are correct, sir, I
21 think it will happen as it does now, that is
22 what happens.

23 Q. There is a terrific capacity along
24 that shore?

25 A. Something like 25 million bushels,
26 I believe, sir. I know we have one elevator
27 at Port McNicoll that has a capacity of six and
28 a half million.

29 Q. There is Port McNicoll, Tiffin,
30 Midland, Collingwood?



A. Yes.

Q. And then down on Lake Huron?

A. Yes, I think it is about 25 million
bushels all told in that region anyhow.



1 MR. WRIGHT: Q. Now, is there anything else
2 you would like to say about the import and export
3 traffic?

4 A. Only this, that in summary we see a
5 tonnage of approximately 1.3 millions with a
6 revenue value to us of a little over 8 million
7 dollars. That is in our estimation going to be
8 subject to very marked increases in competition
9 following from the building of the Seaway.

10 Q. Then you might deal with domestic
11 traffic on page 2 of Exhibit 119?

12 A. Well, the domestic traffic is, of
13 course, the goods produced locally in the area
14 of the St. Lawrence River ports of Montreal,
15 Trois Rivieres and Quebec, and the territory
16 adjacent to it such as St. John's and possibly
17 even as far away as Sherbrooke, and going to
18 and from the Great Lakes ports, Toronto,
19 Hamilton, Windsor, Sault Ste. Marie and areas
20 adjacent to them. The total shown is approximately
21 459,000 tons with a revenue value of some 5 million
22 dollars. The principal movements there are
23 between Montreal and Toronto, Hamilton, Windsor,
24 and Sault Ste. Marie. That is where the big
25 bulk of the traffic is moving.

26 We have shown, for the information of the
27 Commission, certain of the movements that are
28 involved. Now, we feel that this traffic will
29 also be subject to increased competition when
30 the Seaway is opened, principally from coming



1 into the Great Lakes of deep-sea shipping which
2 cannot now enter the Great Lakes.

3 The extent to which we will run into competition
4 on that traffic depends a great deal on the quantity
5 and type of shipping that enters the Lakes. But
6 we are of the opinion that we will run into a
7 good deal of competition there.

8 Q. That covers the domestic traffic. Will
9 you come next to the traffic between Eastern and
10 Western Canada?

11 A. Yes. This traffic, while perhaps not
12 so large in tonnage as the other categories I have
13 reviewed, does have a very -- and perhaps the most
14 important revenue -- effect as far as we are
15 concerned. This is traffic that moves from the
16 St. Lawrence River ports and the Great Lakes
17 ports as shown on the exhibit to points in the
18 Prairie Provinces and in Ontario west of Port
19 Arthur, also British Columbia. Now, we visualize
20 two forms of water competition there following
21 the completion of the Seaway. First, the handling
22 of goods by water direct to Fort William, Port
23 Arthur, for trans-shipment and forwarding from
24 there either by rail or by truck to destinations
25 in Western Canada.

26 If deep-sea ships, as we visualize they well
27 may, enter into the Great Lakes and go up to Fort
28 William to pick up cargoes of grain, it seems
29 quite reasonable to expect that they would want
30 to enhance their revenues by picking up cargoes



1 on the way. In other words, they won't want to go
2 up to the Lakehead empty if they can help it. And
3 to the extent they can pick up goods from Quebec,
4 Montreal, Toronto or Hamilton or other points and
5 carry them up to the Lakehead with any kind of a
6 revenue return at all, it seems quite likely that
7 they will do so.

8 Then also in our estimation a very real
9 possibility exists of an increase in inter-coastal
10 competition. That is between British Columbia
11 coast ports and the East Coast ports, as well as
12 the Great Lakes ports. That, of course, would be
13 from deep-sea ships sailing through the Panama
14 Canal. We have also had, ever since the Panama
15 Canal opened, competition from inter-coastal
16 shipping between the East and the West Coasts
17 except during the war years and probably for
18 short periods thereafter. But heretofore by and
19 large those ships have been of a size that did not
20 permit them entering the Great Lakes because of the
21 depth of the canals. With the deepening of the
22 Canals ocean ships capable of carrying inter-
23 coastal cargoes through the Panama Canal will in
24 many instances be also capable of entering the
25 Great Lakes. I look for a great increase in this
26 form of transportation, particularly on eastbound
27 movements of lumber, for example. The Coast
28 sawmills will undoubtedly see advantage to them-
29 selves in making charter arrangements whereby a
30 ship would take on a full cargo for say Montreal



1 or for partial discharge at Montreal and then
2 continue on up into the Great Lakes with partial
3 discharge at Toronto, Hamilton, and Windsor.
4 It might even go as far as Sault Ste. Marie and
5 also to Detroit, Chicago, points like that. So
6 it would seem that the opportunities for making
7 shipload charters of lumber for movement through
8 the Panama Canal are going to be greatly enlarged
9 when the Seaway is open. And the same thing is
10 true, although perhaps to a smaller extent, in
11 the movement of canned goods, canned salmon and
12 other canned products.

13 Now, those inter-coastal ships, if they do
14 what I anticipate what they are likely to do,
15 in the way of handling eastbound cargoes, will,
16 it seems to me, be looking for return loads to the
17 Pacific Coast and they will be going around to
18 see what they can pick up in the way of merchandise
19 cargoes going westbound. So I feel that a good
20 deal of our traffic moving between Eastern Canada
21 and at least the Coast region of British Columbia
22 is likely to be very seriously affected, and
23 I don't think the effect will even stop at the
24 Coast. It may well be that if ocean rates are
25 low enough they will be able to carry traffic
26 for inland movement through the British Columbia
27 Coast ports to interior British Columbia, and
28 possibly even the Western part of Alberta.

29 Q. And still give a rate lower than the
30 railway?



1 A. Yes. So in summary we see, from the
2 studies that we have made, that we have a total of
3 something over 2,221,000 tons of freight with a
4 revenue value of \$35,220,000, which is going to be
5 exposed to increased competition once the Seaway
6 is open. Just how much that will be affected it
7 is impossible to determine at this time. It would
8 only be a guess and not a very good guess, I don't
9 think.

10 MR. WRIGHT: Mr. Chairman, I think that is all
11 we have to offer on that exhibit. Unless you have
12 any questions at this stage, we will go on.

13 THE CHAIRMAN: Q. What I was going to ask about
14 was, this 13 million and 8 million-odd figure at the
15 foot of page 2, is that only the places in the
16 Lakes which will be subject to---

17 A. Oh, no, sir, it is our total of revenue.

18 Q. Leaving aside the British Columbia
19 8 million, of the 13 million dollars you will
20 still have all the carriage from the Head of the
21 Great Lakes?

22 A. Yes, to the extent we secure it by rail.
23 Of course, there will be truck competition there.

24 Q. For the pigiron? Not much with the
25 pigiron?

26 A. Oh, no.

27 Q. Automobiles -- well, there is the
28 automobile trailer competition?

29 A. Yes, sir, there is that now. But
30 things such as canned goods, sir, they are very



1 adaptable for trucking competition.

2 Q. But do you run into any particular
3 trucking competition from Fort William westward?
4 You are not running on the type of highways we
5 think of in the East.

6 A. Well, there is a pretty good highway
7 there, sir, actually from Fort William.

8 Q. Oh, I have been on it. It is certainly
9 no Queen Elizabeth Highway.

10 A. Oh, no, it is perhaps not the one you
11 would choose to go on for a pleasure drive.

12 Q. It might be a pleasant enough drive
13 but I was thinking of hauling tons of freight
14 over it.

15 A. They are hauling tons of sugar over it,
16 sir. We are getting very little of that.

17 Q. Winnipeg, do you mean?

18 A. It is Winnipeg, largely, sir.

19 MR. WRIGHT: Q. Are there any movements from
20 the Head of the Lakes to Vancouver by highway?

21 A. I do not know of any. You mean from
22 Fort William to Vancouver?

23 Q. Yes.

24 A. No.

25 Q. There are movements of automobiles,
26 are there not?

27 A. Well, that is direct from the
28 manufacturing plants to British Columbia.

29 THE CHAIRMAN: Q. There is a freight line.
30 I have seen their office right across the road from the



1 Prince Arthur Hotel.

2 A. Yes, they go out West. I don't know
3 how much they are handling.

4 MR. WRIGHT: Q. Do those trucks take United
5 States highways or Canadian highways from Fort
6 William?

7 A. Largely Canadian.

8 Q. They could use United States?

9 A. Yes. Particularly to British Columbia,
10 that is the general route. You go down through
11 the States.

12 Q. Now, Mr. Chairman, in view of the
13 position which the railway company has taken in
14 its submission, I thought in view of the experience
15 which Mr. Edsforth has had with the Railway Act
16 it might be useful for him to say something from
17 his practical experience about rate regulation
18 under the Act, under that Act and also under the
19 Transport Act.

20 Now, Mr. Edsforth, you are familiar, as you
21 have said, with rate regulation under the Transport
22 Act. I wonder if you could give briefly the
23 Commission some information as to how this rate
24 regulation business under the Railway Act works?

25 A. Under the Railway Act?

26 Q. I'm sorry. I said the Transport Act;
27 I meant the Railway Act.

28 A. Yes. Well, of course, the Railway
29 Act is quite a big volume but I might summarize
30 briefly the principal rate regulating provisions



1 of the Railway Act without attempting to go into
2 them in detail. The principal provisions with
3 respect to rate regulation are these: First of
4 all, the railways must publish their rates in freight
5 tariffs of a uniform size and style. Those freight
6 tariffs may consist of four different kinds. Class
7 rate tariffs, which publish what you might term the
8 selling rates, the maximum rates. Commodity rates
9 which publish rates on particular commodities from
10 point to point or area to area, which are lower
11 than the class rates. Competitive tariffs which
12 contain rates which are also commodity rates too.
13 Competitive commodity rates generally, published
14 to meet various types of competition. And then
15 special arrangements tariffs which contain all
16 of the special arrangements made by the railways
17 such as wharfage charges, terminal charges of
18 various kinds, charges for the protection of
19 perishable freight, diversion charges, and a great
20 miscellany of various special charges for services
21 that are not actually line haul or directly
22 transportation.

23 Q. As we go along it might be useful if
24 I just give the section numbers. That is Section
25 331?

26 A. 331, yes. Now, those rate tariffs
27 must be filed with the Board of Transport
28 Commissioners three days before the rates may
29 become effective in the case of reduction in
30 rates or 30 days before they may become effective



1 when an increase in rates is involved.

2 In addition to filing those tariffs with the
3 Board the Board also requires the railways, under
4 the provisions of Section 326, Subsection 6, to
5 make sure that their tariffs are on file for public
6 inspection. And we are required to keep a
7 complete set of tariffs at all our general offices,
8 at all of our regional, divisional and district
9 offices throughout the country. In addition to
10 that, they must be filed at the stations from and
11 to which the rates apply. So that there is never
12 any difficulty in finding out what rates are in
13 the tariffs. Also we supply upon request copies
14 of our tariffs to interested shippers, rate
15 associations and so forth. There is a nominal
16 charge made for those.

17 Q. Freight tariffs are filed under Section
18 333?

19 A. Yes, Section 333 of the Railway Act.
20 Now, while the general rule is that three days
21 notice must be given for reduction we do have
22 some relief from that in the case of putting in
23 competitive rates to meet emergency situations.
24 That is in Section 334, Subsection 1. But that
25 is a special circumstance and we must obtain the
26 specific approval of the Board in each case before
27 we may do so, and we must satisfy them of the
28 necessity of that Act. The Board can ask us
29 for a great deal of the detailed information
30 before granting permission.



1 We also have another form of freight tariff
2 known as special rate notices. Those are sanctioned
3 or authorized by Section 349 of the Act. They are
4 only issued for particular reasons and for
5 emergency situations such as, for example, to take
6 care of trial movements or a sample shipment such
7 as concentrates or ore going into a smelter. Or
8 they may be put in to take care of an unexpected
9 movement of traffic for which no rate schedule is
10 immediately available. But when you do that you
11 have to file the same rates in a regular tariff
12 as quickly as possible. Special rate notices
13 also can be put in to take care of the movement
14 of cattle from grazing lands that have become
15 exhausted or to handle relief supplies at free
16 or reduced rates or to provide for the clean-out
17 of an elevator at the end of a shipping season.
18 But in any case, any special rate notices must be
19 filed with the Board and assigned a designated
20 C. T. C. number.

21 Now, when tariffs have been filed with the
22 Board, in accordance with the provisions of the
23 Act, and in line with the rules laid down by the
24 Board itself, they then become the only lawful
25 rates and they must be applied by the carriers
26 on the traffic involved. ^{Q.} That is covered by
27 Section 333, Subsection 5?

28 A. Yes, that's right. There are
29 provisions in the Act for severe penalties
30 to be applied against the railways for any



failure to apply the published rates.

Q. That is 432?

A. Yes. There are several sections, I think, on that. The provision of the Act is that all rates must be just and reasonable.

Q. That is Section 328?

A. Yes. Unjust discrimination and undue preference or prejudice are forbidden.

Q. That is Section 319, 3.

A. Yes.

Q. I might say that unjust discrimination and undue preference are to some extent what they mean -- that is, what they mean is spelled out in that Section. I don't think we need to take the time now to deal with that.

COMMISSIONER WICKWIRE: What is that Section referring to -- just and reasonable?

MR. WRIGHT: Section 328.

COMMISSIONER WICKWIRE: And unjust discrimination?

MR. WRIGHT: 319, Subsection 3.

A. Now, the burden of proving that unjust discrimination with respect to rates or in affording facilities to shippers for the handling of their traffic does not exist, lies upon the railways. In other words, they have the burden of proving in case an allegation is made that unjust discrimination has been made, they have to prove it does not.

Q. That is somebody can complain to the Board there has been unjust discrimination and



1 we have to prove there is not?

2 A. That's right.

3 COMMISSIONER WICKWIRE: You are guilty until
4 you prove yourself innocent?

5 A. Yes, sir. Of course, they have to make
6 a prima facie case.

7 MR. WRIGHT: Q. That is Section 322?

8 A. Yes. Now, when a freight tariff is
9 filed by the railways which increases a rate,
10 except a rate published in a competitive tariff,
11 the burden of proving the necessity for such increase
12 lies with the company filing the rate. That is to
13 say, in a normal commodity tariff if you put out
14 an increase of 50 per cent or something like that,
15 and a complaint is lodged with the Board against
16 that increase, you have to prove the necessity
17 for making that increase.

18 Q. That is Section 335?

19 A. That's right. And there are special
20 provisions which I don't think I need to deal with
21 in any detail regarding the publication and filing
22 of competitive rates. They are contained in
23 Section 334. They are rather lengthy. But they
24 do give the Board authority to require a great
25 deal of very detailed information from the railways
26 on any competitive rate they have filed.

27 Q. Well, those provisions fairly well
28 speak for themselves, do they not, Mr. Edsforth?

29 A. Yes. In the Act they are quite clear.

30 Q. Then I don't think we need to go into



1 that. Now, there is this question of agreed charges,
2 I think, which has been mentioned now and then.

3 That is covered by the Transport Act?

4 A. That is covered by the Transport Act,
5 Part IV.

6 Q. Sections 32 and 33 of Part IV of the
7 Transport Act?

8 A. Yes.

9 Q. As amended by Bill 449 at the last
10 session?

11 A. Yes. That has now been incorporated in
12 Chapter 59, 34 Elizabeth II. I am sorry, I have
13 only one copy which I just recently obtained.

14 Q. You might just explain how this agreed
15 charge provision works?

16 A. Yes. Well, Part IV of the Transport
17 Act, Section 32, makes provision for the making
18 of agreements between carriers who are subject to
19 the Transport Act and shippers with respect to
20 the charges for the goods of such shipper. The
21 Transport Act provides that these agreed charges
22 must be made on the established basis of rate
23 making and they must be expressed in cents per
24 hundred pounds or in such other unit of weight
25 or measurement as is appropriate. A carload
26 rate for one car may not exceed the carload
27 rate for any number of cars.

28 Q. For any greater number of cars?

29 A. Yes. It has to be the same for one
30 car as for 50 cars, as far as that goes. So there



1 is no provision for making trainload rates or
2 anything like that.

3 The agreements must be prepared and executed
4 in tariff form and a duplicate copy has to be
5 filed with the Board of Transport Commissioners
6 within seven days of the date of the agreement.
7 And it may not become effective until 20 days after
8 the date of filing with the Board.

9 Q. Just a minute, Mr. Edsforth. When it is
10 filed with the Board is it available for inspection
11 by anyone?

12 A. Yes, it is, because the Board have
13 issued regulations requiring public distribution
14 of all agreed charges with our various offices
15 throughout the country. In addition to that,
16 while the Board does not require it, we ourselves,
17 the railways, send copies of agreed charges to all
18 of the principal Boards of Trade, various rate
19 associations, trade associations such as the
20 Canadian Manufacturers' Association, and the
21 Canadian Industrial Traffic League, and so forth,
22 so that everyone is fully informed of the agreed
23 charges we are making. Once an agreed charge
24 has been made between a shipper and a carrier
25 any other shipper may, with the consent of the
26 railways, join in the agreement. All he has to
27 do is file a notice of intent with the Board
28 and secure the concurrence of the railways,
29 of the carriers. But if for some reason the
30 shipper---



1 THE CHAIRMAN: Q. I didn't get the last part
2 of your sentence. You dropped your voice. All
3 he had to do was file a notice and something else?

4 A. File a notice of intent with the Board
5 of Transport Commissioners and secure the approval
6 of the carrier in the agreed charge.

7 Q. I don't understand the effect of that.
8 Suppose he doesn't get the approval of the carrier?

9 A. I was just coming to that, sir, because
10 that is also provided for. If for some reason
11 the shipper cannot get the agreement or the concurrence
12 of the carriers he may then apply to the Board
13 direct and the Board, if they are satisfied that
14 his complaint is sound, may fix a charge for
15 that shipper. The same charge, subject to the
16 same terms and conditions as in the original
17 agreement itself. So the shipper has two ways
18 of protecting himself against unjust discrimination
19 or undue prejudice, as the case may be.

20 MR. WRIGHT: Q. Undue preference?

21 A. Undue preference, yes, and prejudice.
22 Now, once an agreed charge has been filed and
23 notice of its issue has been given in accordance
24 with the terms of the Act and the regulations of
25 the Board it then becomes the lawful charge and
26 must be applied on all of the traffic covered
27 by the agreement by the railways. After an
28 agreement has been in effect for a period of
29 one year, any carrier or any shipper may withdraw
30 from it by giving 90 days notice of his desire



1 to do so.

2 Q. Well, can you have an agreed charge for
3 less than a year?

4 A. Well, under the present regulations I
5 would say not. Under the new regulations, that is,
6 because it seems to be the intent they shall be made
7 for a year. As a matter of fact, there is not too
8 much point in making one for less than a year, a
9 contract like that. But it is not rigid from then
10 on. It is subject to any variation or changes after
11 a year's time.

12 Now, under Section 33 of Part IV provision is
13 made for appeal by any carrier by rail or water or
14 by any body of shippers to the Minister of Transport
15 on the grounds that an agreed charge places the
16 business of the complainant at an unfair disadvantage.
17 That appeal may be made after an agreed charge has
18 been in effect for three months. If the Minister
19 of Transport considers that in the public interest
20 the complaint should be investigated, he may refer
21 it to the Board and the Board of Transport Commissioners
22 after hearing the complaint, finds that the agreed
23 charge is undesirable in the public interest,
24 they may issue an order varying it, cancelling it,
25 or changing it in any way.

26 Q. That is quite separate from the first
27 appeal to which you referred?

28 A. Oh, yes. This is not an appeal from
29 a man who wants to get in the agreed charge.
30 This is an appeal from somebody who doesn't



2023

1 like it. Now, further than that, Section 33
2 also provides that the Governor-in-Council may,
3 if he thinks that an agreed charge is undesirable
4 in the public interest, refer it to the Board for
5 investigation. Now, the Board on any of these
6 references is required to take into account all
7 of the relevant considerations, including the
8 effect of the agreed charge on the net revenue of
9 the carriers who are parties to it, and in particular
10 as to whether the agreed charge is undesirable
11 in the public interest on the grounds that it is
12 unjustly discriminatory against the complainant
13 or places his business at an unfair disadvantage.



1 And on a reference from the Governor-in-Council
2 the Board is also required to determine whether the
3 agreed charge is undesirable on the ground that it
4 places any other form of transportation at an
5 unfair disadvantage.

6 Q. Now, does that cover agreed charges,
7 Mr. Edsforth?

8 A. Yes, except that I would like to add when
9 making an agreed charge it is not made on the basis
10 of so many tons or so many bushels or so forth.
11 It is made on a percentage of a shipper's traffic,
12 so that a small shipper has just the same opportunity
13 as a big shipper of getting into one. All he has
14 to say is "I will give you the same percentage."
15 Whether it is ten cars or a thousand cars makes no
16 difference.

17 There was just one other thing under the
18 Railway Act, Section 315 places upon the railway
19 an obligation to provide accommodation for traffic.
20 That largely speaks for itself.

21 Q. Are there any brief comments you could
22 make on that, Mr. Edsforth?

23 A. Only this, that under that Section the
24 railways are required to furnish all reasonable
25 facilities for the handling of the shipper's
26 goods. They have to furnish suitable terminals,
27 suitable equipment, rolling stock, motive power
28 and so forth. So that the goods may be moved
29 expeditiously.

30 Q. Is that one of the things you had in



1 mind when you referred to this fluctuating tonnage?

2 A. Yes, that is what I did mean, exactly.

3 You must have this available.

4 Q. So you must always keep a plant of certain
5 proportions available and in service?

6 A. In serviceable shape.

7 Q. Now, turning to the Transport Act, first
8 of all, the licensing provisions are contained in
9 Section 5, which extend at the present time only to
10 a limited number of carriers?

11 A. Yes.

12 Q. I do not think we need to go into that. .
13 You might like to say something about the rate
14 regulation provisions under the Transport Act?

15 A. As affecting water carriers?

16 Q. As affecting the water carriers who are
17 subject to those provisions?

18 A. Yes. Water carriers are permitted to
19 make agreed charges to the same extent as the
20 railways under the provisions of Part IV of the
21 Transport Act which I have just outlined.

22 Q. Now, the other rate regulating provisions
23 of the Transport Act are very similar to those
24 applied to the railways under the Railway Act.
25 Is that not right?

26 A. Yes. Summarizing briefly, every
27 licensee is governed by the provisions of Part III
28 of the Transport Act with respect to the tolls
29 to be charged. They are required to file a
30 standard tariff of tolls with the Board for



1 approval, and they are permitted to file such other
2 tariffs as are authorized in the Act.

3 Q. Those are Sections 13 and 14?

4 A. Yes. No licensee is permitted to charge
5 or collect any tolls for any service except in
6 accordance with the provisions of the Transport
7 Act. That is Section 15, Subsection 4. And when
8 a tariff has been filed with the Board and if
9 necessary approved by the Board the licensee is
10 then required to charge the tolls specified in the
11 tariff until it is disallowed, suspended or
12 superseded by a new tariff.

13 Q. Is that Section 16?

14 A. Yes. Now, rate tariffs, which the
15 water carriers are authorized to issue are classified
16 under three different headings. First, Standard
17 Freight Tariffs which specify the maximum toll.
18 And they must apply for all distances over which
19 the licensee operates. Then special freight tariffs
20 which provide for tolls lower than in the standard
21 freight tariffs. They would be the same, generally
22 speaking, as the commodity tariffs issued by the
23 railways. And competitive freight tariffs which,
24 as in the case of those published by the railways,
25 are issued to meet specific competition.

26 Now, the water carriers are under the same
27 requirement with respect to unjust discrimination
28 as the railways. That is, it is forbidden either
29 as between persons or localities. They are
30 forbidden to make or give any undue preference



or advantage in favour of any particular person or company.

Q. That is Section 21, Subsection 3?

A. Yes, and Section 22, Subsection 2. Now, every licensee is required, according to his powers and within the limits of the capacity of the ships specified in the license, to accord reasonable facilities for the receiving, forwarding and delivering of traffic. As in the case of the railways, the burden of proving that a lower toll or difference in treatment does not amount to undue preference or unjust discrimination lies on the licensee. That is Section 25. Similar penalties are provided in the Transport Act against the water carriers for failure to apply the lawful tolls as in the case of the Railway Act.

Q. Section 27?

A. Yes, that's right. The water carriers are permitted to make special rate notices just the same as the railways and for the same reasons.

Q. Section 28?

A. Yes. And the Board is authorized to, and does, make regulations dealing with the size and style of the tariffs, filing with the public, and so forth.

Q. Now, you might just briefly state what are the differences with respect to rate regulation of water carriers as compared to rate regulation of rail carriers?

A. Well, as I say, in general they are the



same but there are these important differences.

In the first place the water carriers under the Transport Act are not required to apply any statutory rates. That is to say there is no provision in the Transport Act for statutory rates.

Q. Just what do you mean by statutory rates?

A. Well, rates which are fixed by statute and may not be changed without the consent of Parliament or without Parliamentary change in the Act. Specifically, I have in mind of course the rates on grain to the Lakehead which are fixed by statute.

Q. Yes.

A. Now, the water lines in publishing competitive rates are not subject to the same detailed requirements respecting the nature of the competition as are shown in the requirements of Section 334, Subsection 2 of the Railway Act. Further, there is no statutory requirement with respect to equalization of freight rates under the Transport Act as is the case with the railways under Section 336 of the Railway Act. And there is no artificial restriction in the Transport Act on the water carriers which in any way limits their ability to make competitive rates such as is imposed on the railways under Section 337 of the Railway Act. That is what is commonly known as the one and one-third rule and which we feel has had a tendency to limit our ability to make competitive rates between Eastern Canada



and British Columbia Coast points to meet Panama Canal competition.

COMMISSIONER BELANGER: Q. Can you give an example? I didn't quite understand that.

Q. Well, Section 337 provides that when the railways publish a competitive rate say from Eastern Canada to Vancouver they may not charge more to an intermediate point such as Calgary than the competitive rate plus one-third.

MR. WRIGHT: Q. Well, those are the important differences, are they, Mr. Edsforth?

Q.
A. Yes. / Now, we are, in our submission, suggesting or saying that a regulated carrier such as the railway is at a disadvantage in competing for traffic against a carrier which is not regulated?

A. Yes.

Q. Would you just enlarge on that to some extent and explain to the Board to what extent such a carrier is at a disadvantage?

A. Well, if the same type of regulation both as to rates and services is applied to railways and competing carriers, it cannot be said, of course, that there is any real inequality of treatment in respect of publishing their rates and applying them and in providing their services. In other words, each one has an equal opportunity of developing its business on the basis of its own inherent advantages and each must assume the same responsibility in respect



1 of applying and assessing their rates and giving
2 their services, but when a regulated carrier has
3 to compete with an unregulated carrier, then there
4 is inequality of treatment. And I would like to
5 deal with that a little more elaborately a little
6 later on. In our view it gives the unregulated
7 carrier an undue advantage over his regulated
8 competitor. Thus the ability of such an unregulated
9 carrier for doing business, we feel, is carried
10 beyond, we feel, the limits of what you might term
11 the inherent advantage to the extent that he is
12 free of the responsibilities which must be assumed
13 by his regulated competitor.

14 To be a little more specific, in competing
15 for traffic one of the very important things is
16 the matter of rates, the price. I have just
17 explained the regulated carrier, before he may use
18 a rate, must file it with a regulatory body and
19 make sure that the public are informed of it, but
20 the unregistered carrier, on the other hand,
21 is under no such compulsion. He can make rates
22 at any time he likes and go to one shipper and
23 offer him a rate and start using it immediately,
24 and he doesn't have to tell anybody else anything
25 about it. In fact, he can give one shipper one
26 rate and another shipper a different rate
27 altogether, depending upon the volume of his
28 traffic. It is a matter of bargaining.

29 Now, in competing for business it is always
30 most important to know what your competitor is



1 doing, what he is charging. The unregulated
2 carrier in this instance certainly knows what his
3 regulated competitor is charging. It is published.
4 It is common knowledge.

5 THE CHAIRMAN: Well, suppose there is no
6 regulation. You are asking that the man with a
7 little Newfoundland schooner who is asked by
8 somebody in an outport to carry a hundred tons of
9 coal and he says "Well, all right, I'll make an
10 agreement with you and I will file a rate with the
11 Board of Transport Commissioners and 20 days from
12 now I will bring your coal.". Now, the mere saying
13 of it is nonsense, you will agree.

14 A. Of course, my lord, he wouldn't have to
15 take 20 days. He could make that rate in three days
16 and if it was an emergency he could have it have
17 immediate effect.

18 Q. This man in the little Newfoundland
19 schooner has never heard of Ottawa or the
20 Board of Transport Commissioners either.

21 A. That well may be, Mr. Chairman. Of
22 course, here I am talking of where an unregulated
23 carrier competes with the regulated one.

24 Q. Your submission, as I understand it,
25 is that all carriers of package freight must be
26 regulated and must operate on the same system,
27 and I am trying to show you that there are parts
28 of Canada -- not confined to Newfoundland -- that
29 there are some places down this River and some
30 on the West Coast where it would be simply



unrealistic to talk about that for them?

1 A. There may be some parts. I do not say
2 there is not. I agree there may be some places
3 where regulation may not be desirable or necessary.
4 But we do say where there are two carriers competing,
5 one regulated and the other not, that it is
6 necessary.

7 MR. WRIGHT: May I clear up one thing,
8 Mr. Chairman? You referred only to the package
9 freight. I think our submission goes a little
10 further than that. It would have the Transport
11 Act extended not only to package freight but also
12 to bulk freight. There may be, as Mr. Edsforth
13 suggests, cases where there should be exemptions.

14 THE CHAIRMAN: You would extend it to bulk carriers
15 too?

16 MR. WRIGHT: Yes.

17 THE CHAIRMAN: Was it the other railway then
18 that had an exeption as to what is called "true"
19 bulk carriers?

20 MR. WRIGHT: The other railway is also asking
21 that there be an extension into what is now the
22 bulk field. They have asked for revision of the
23 term "bulk goods". Theirs may or may not go as far
24 as our suggestion in that respect.

25 THE CHAIRMAN: Then you go as far as to
26 say that if a steamer or freighter comes into
27 Port Arthur, having delivered machinery from
28 Holland, and has an opportunity to take a load
29 of grain to Montreal -- it has never been in the
30



1 Great Lakes before -- that it must file a tariff
2 with the Transport Board?

3 A. That's right.

4 MR. WRIGHT: They must first get a license?

5 A. They must get a license to do it first.

6 THE CHAIRMAN: Must they first get a license?

7 A. Oh, yes.

8 THE CHAIRMAN: That is complete protection?

9 A. Yes, sir.

10 THE CHAIRMAN: All right.

11 MR. WRIGHT: That is our position, Mr.

12 Chairman.

13 THE CHAIRMAN: I remember now. When you spoke
14 of the license it came back to my mind.

15 COMMISSIONER BELANGER: Do you say that today
16 in water transportation there are only regulations
17 in the Great Lakes?

18 MR. WRIGHT: And the MacKenzie.

19 COMMISSIONER BELANGER: And the MacKenzie?

20 MR. WRIGHT: Yes. And it extends only to the
21 non-bulk goods except in the MacKenzie where it
22 does extend to bulk, and it applies to ships in
23 the Great Lakes of only 500 tons or more. In
24 the MacKenzie, however, it extends to ships down
25 to ten tons.

26 COMMISSIONER BELANGER: Is there any
27 particular reason why there is a restriction on
28 the MacKenzie?

29 MR. WRIGHT: I really don't know what the
30 reason is unless they felt there was a monopoly



1 situation there and that the shippers required
2 some protection under the Transport Act in view of
3 that situation. There was no competition, they may
4 have felt, and so they are setting the Board of
5 Transport Commissioner up in place of the competition.

6 THE CHAIRMAN: And this Dutchman who I think
7 might take some wheat back from the Head of the
8 Lakes to Montreal would have to prove necessity and
9 public convenience before he got that?

10 A. Before he got his license.

11 MR. WRIGHT: Our position is this, Mr. Chairman,
12 thatthat is traffic that we as a common carrier are
13 here to handle. We are set up to handle that. We
14 are required to have a plant available to do it.
15 Now, to permit that Dutchman to come in and take
16 that traffic from us is undermining that common
17 carrier service which we are required to provide.
18 And we say that is not in the general interest of
19 Canada. If Canada says there must be a common
20 carrier service, then we say that common carrier
21 service must be supported.

22 COMMISSIONER WICKWIRE: What is the advantage,
23 Mr. Wright, in the Seaway from your point of view,
24 if any?

25 MR. WRIGHT: We are not suggesting that Canada
26 should be deprived of the advantages of the Seaway
27 or of the inherent advantages which water transport
28 provides. All we are saying is that we should have
29 a fair and equal opportunity to compete for
30 traffic which is available.



1 THE CHAIRMAN: Does that mean that although we
2 have the Seaway the carriage rates on it should be
3 boosted so the railways can still compete?

4 MR. WRIGHT: No, Mr. Chairman.

5 THE CHAIRMAN: Is it publication of tariffs
6 and licensing you want?

7 MR. WRIGHT: Yes, Mr. Chairman.

8 COMMISSIONER BELANGER: You want to know what
9 the others are doing?

10 MR. WRIGHT: That's right.

11 COMMISSIONER BELANGER: And if you can lower
12 your rates you might?

13 MR. WRIGHT: Yes, if we can lower our rates
14 to meet it.

15 COMMISSIONER BELANGER: If you cannot, it goes
16 to the water carriers.

17 MR. WRIGHT: That's right. They have certain
18 inherent advantages, there is no question about
19 that, and that is recognized by the railroads,
20 but we feel that they should compete for this
21 traffic on the same basis as we compete.

22 THE CHAIRMAN: I don't know what the words
23 "on the same basis" mean.

24 MR. WRIGHT: Well, subject to the same rules,
25 to put it briefly.

26 THE CHAIRMAN: That is by having a license?
27 You say it can only get it by proving public
28 interest and convenience?

29 MR. WRIGHT: That's right.

30 THE CHAIRMAN: Is the cheap carriage of wheat



considered of public interest and convenience?

1 MR. WRIGHT: Well, what is public convenience
2 and necessity is, of course, set out in the
3 Transport Act. If an applicant for a license can
4 establish to the satisfaction of the Board set up
5 to handle these matters that it is in the public
6 interest to have that additional tonnage there,
7 then undoubtedly they will let them in.

8 COMMISSIONER BELANGER: But you don't want,
9 by any means, to restrict the water carrier?

10 MR. WRIGHT: No.

11 COMMISSIONER BELANGER: You just want to have
12 the same regulations applied to them as apply to
13 you?

14 MR. WRIGHT: That's right.

15 THE CHAIRMAN: He wants them to obtain a
16 license and prove public necessity first before
17 they have a chance to compete. I cannot imagine
18 a stricter restriction of competition.

19 MR. WRIGHT: There would definitely be
20 competition among the regulated water carriers.
21 That regulation of course, does not eliminate
22 competition. Mr. McLagan, his company, is
23 operating in the Great Lakes. He has a lot of
24 Canadian ships operating there now. We say that
25 the Dutchmen and the English and anybody else---

26 THE CHAIRMAN: Or even another Canadian?

27 MR. WRIGHT: Yes, Mr. Chairman. They
28 should not come in there unless that additional
29 tonnage is necessary. That does not eliminate
30



competition.

1 COMMISSIONER WICKWIRE: Well, it certainly
2 restricts it, does it not?

3 MR. WRIGHT: It may restrict it. It would
4 eliminate uneconomic competition. At least it
5 should if the licensing is handled properly. It
6 might eliminate---

7 THE CHAIRMAN: Uneconomic for whom? For the
8 railways?

9 MR. WRIGHT: No, for the ship operators,
10 Mr. Chairman. And also for the shippers.

11 THE CHAIRMAN: The Bankruptcy Court eliminates
12 unecomonic competition.

13 MR. WRIGHT: It does, and it still would,
14 I suggest, Mr. Chairman, even under regulation.
15 You would still have bankruptcies. It might
16 eliminate this "rassling on the floor" which Mr.
17 Rogers spoke about on the West Coast. Competition
18 is one form of regulator. The Transport Act is
19 another. We say so long as there is a common
20 carrier service required in Canada, that the
21 common carrier must be protected.

22 Now, if we reach the stage where such a
23 service is not required, well, we are perfectly
24 prepared to go out and fight it out with these
25 other carriers. But I don't know whether we
26 have reached that stage yet.

27 COMMISSIONER WICKWIRE: In other words, if you
28 are regulated by the Transport Act and the Railway
29 Act, everybody else should be too?
30



1 MR. WRIGHT: Others competing with us should;
2 trucks, airplanes.

3 COMMISSIONER WICKWIRE: Trucks, airplanes,
4 ships.

5 MR. WRIGHT: Airplanes are regulated now.

6 COMMISSIONER WICKWIRE: Wheelbarrows?

7 MR. WRIGHT: They don't compete commercially
8 with us.

9 COMMISSIONER WICKWIRE: Yet?

10 MR. WRIGHT: Yet, yes. However, I am going to
11 call Mr. Stone and he will deal to some extent
12 with this point which we have been discussing.
13 Maybe he will be able to throw more light on it
14 than possibly I have been for the last few minutes.

15 Q. Where were we, Mr. Edsforth?

16 A. I think I had just said something about
17 the inability of competing with a carrier who
18 does not have to make his rates known and make
19 them or change them or do anything he likes with
20 them at any time. That, it seems to me, puts the
21 unregulated carrier in a stronger bargaining
22 position. A regulated carrier has no real
23 certain means of knowing what his competition
24 might be charging or might be willing to offer.
25 While every effort is made by the railways, I
26 can assure you we always try to find out by
27 every means we can what our competition is
28 doing, you are never certain you have got the
29 whole story, and you are never certain what he
30 may do the next day, or anything like that.



1 Now, as I say, if we put in a rate to meet
2 competition, a low rate, and then find for some
3 reason it is not satisfactory we have to maintain
4 that rate for at least 30 days. We cannot cancel
5 it any sooner. Our competitor who is not regulated
6 is under no such compulsion. He can change his
7 rate tomorrow and put it back up tomorrow or the
8 day after if he wants to. And he does not have to
9 justify his increase to anyone. So that enables
10 an unregulated man to make spot rates by which they
11 can obtain parcels of traffic which they might find
12 it satisfactory to them under certain conditions to
13 carry but which perhaps they would not want to
14 carry under all conditions or at all times or for
15 all individual shippers. In other words, they can --
16 and I know it is done to some extent -- shop around
17 for parcels of traffic. Although they might not have
18 perhaps the inherent advantage of the lowest cost
19 of handling that, still in a particular case it may
20 pay them to do it. This prevents the carrier, the
21 regulated man, from perhaps having a chance at it
22 at all.

23 MR. WRIGHT: Q. Can you give some examples
24 of that?

25 A. Well, one that comes to mind is supposing
26 a steamer comes in with a cargo for part discharge
27 at, let us say, Montreal and with perhaps the
28 balance of his cargo for Toronto. Well, having
29 discharged part at Montreal he may find he can take
30 with some advantage a parcel out of Montreal for



1 local movement up to Toronto. It is surely to his
2 advantage to do that, and he may make a very, very
3 low rate to do it because he is going anyway and
4 his additional costs are not going to be very great.

5 THE CHAIRMAN: I have heard that example
6 quoted half a dozen times since I have come to this
7 city. Has anybody ever seen it work in practice?

8 A. I don't know that any of the deep-sea
9 ships so far have got licenses under the Transport
10 Act. I don't know that they have.

11 THE CHAIRMAN: Q. I was wondering how real was
12 that particular bogey because it has been referred
13 to by just about everybody and still nobody has
14 been able to point out an example of it.

15 MR. WRIGHT: Well, have youⁱⁿ/mind a situation
16 that will arise from the Seaway alone?

17 A. Well, of course, that is really what I
18 have in mind. It seems to me there is more
19 likelihood of it occurring with much more shipping
20 coming in.

21 THE CHAIRMAN: Q. This man hasn't a license
22 and you will see that he won't get one?

23 A. I don't know whether we could prevent
24 him from getting one but he would certainly have
25 to ask for one before engaging in that trade.

26 COMMISSIONER BELANGER: The example you just
27 gave from Montreal to Toronto, could you make it
28 from Halifax, St. John's, and---

29 MR. WRIGHT: I think the same would apply.
30



1 COMMISSIONER BELANGER: There you would not need
2 a license.

3 MR. WRIGHT: Of course, Mr. Edsforth, I think,
4 is referring to the situation where this man is not
5 required to get a license under the Transport Act
6 and where we are competing with an unlicensed
7 carrier.

8 THE CHAIRMAN: Isn't he required to get a
9 license?

10 MR. WRIGHT: For the carriage of package freight.

11 A. He is right now, for package goods.

12 MR. WRIGHT: Yes, between Montreal and a
13 Great Lakes port.

14 COMMISSIONER BELANGER: He is not required
15 below Montreal?

16 MR. WRIGHT: Not from Montreal to Halifax.

17 THE CHAIRMAN: Then the situation exists
18 today, because certainly the deep-sea ships can
19 come into Montreal. Have you found any of them
20 picking up cargoes for Halifax or Saint John?

21 A. I have no knowledge of that.

22 THE CHAIRMAN: You are in St. John's?

23 A. Oh, yes, we are in St. John's. I do
24 say this, my thinking is this, that with the
25 opening of the Seaway that shipping is going to
26 greatly enlarge and I think there will be
27 perhaps more competition among them. I think
28 the incentive to do this is going to be greater.

29 THE CHAIRMAN: Of course, there was a
30 strange idea in the minds of a lot of citizens



1 of this Dominion that that was one of the main
2 features of the Seaway?

3 A. I am not saying it is a bad thing to do
4 it but all I am saying is that they should be
5 licensed and, file a rate the same as we do.

6 MR. WRIGHT: Q. All right. You might proceed
7 now.

8 A. Well, the opposite of that position is,
9 of course, as I have said, where a railway or a
10 regulated carrier of any kind, he cannot meet spot
11 rates like that because they must be kept in for a
12 stated period at least and they must be prepared to
13 answer any charges of unjust discrimination or
14 unjust preference. So they are restricted in their
15 ability to do what I have just described as it
16 being possible on the part of an unregistered water
17 carrier to do.

18 MR. WRIGHT: Q. Yes.

19 A. Now, as far as the railways are concerned---

20 THE CHAIRMAN: Railroads are common carriers,
21 aren't they?

22 A. Yes, sir.

23 THE CHAIRMAN: Q. Is this freighter a common
24 carrier?

25 A. Well, if they are holding themselves
26 out to transport goods I think they are.

27 Q. They can say "I don't like the
28 colour of your eyes and you are not going to
29 take this ship.". Surely there is a difference
30 in the case of a man who can take business or



1 not take it as he sees fit. The common carrier
2 position of a railway puts it into a different
3 phase?

4 A. Well, in the phase that we are required
5 to handle all traffic as it offers and to give all
6 reasonable facilities for doing so, yes.

7 Q. Yes, but you want to apply the regulatory
8 provisions which were drafted and are applicable to
9 common carriers to persons who are not common
10 carriers at all, who are perfectly independent?

11 A. But they are at the same time competing
12 with common carriers and holding themselves out
13 to carry the same traffic or some of the same
14 traffic.

15 Q. Not as common carriers. They might
16 absolutely refuse to carry certain kinds of cargo.

17 A. In other words, they can pick and choose
18 as it suits them best?

19 Q. Certainly. They are men in private
20 business and they want to stay there.

21 A. Isn't that all the more reason to
22 regulate them, sir?

23 Q. Well, it would be from your point of
24 view?

25 A. Certainly.

26 Q. But not from the point of view of those
27 who are interested in competition?

28 MR. WRIGHT: Ships in the package freight
29 business are now regulated.

30 THE CHAIRMAN: They are carriers too, they



1 are common carriers.

2 MR. WRIGHT: Yes.

3 COMMISSIONER BELANGER: But you do not see the
4 difference between a ship going from Montreal to
5 the Head of the Lakes, a package freighter, between
6 this ship and a ship going from Montreal to
7 Newfoundland carrying the same type of goods, and
8 you don't see why one is regulated and the other is
9 not?

10 MR. WRIGHT: There may not be the same need
11 to regulate the one as the other. There may be a
12 question of degree there. I mean you have to look
13 at the circumstances in each case, I think.

14 THE CHAIRMAN: If the license provisions had
15 applied to them, I wonder if we would have ever
16 seen the history and references to Newfoundland
17 rates that we did see when first Newfoundland-
18 Great Lakes came in and then Constantine and then
19 there was a similar competitive rate? Well, that
20 is just idle speculation.

21 MR. WRIGHT: Q. Would you go ahead, please?

22 A. The only thing is I think I can make
23 it quite brief in summary, and in summary I
24 should say this that the railways are perhaps --
25 and I must speak for the railways -- the only
26 form of transportation that is in a position to
27 handle all kinds of traffic at all seasons of
28 the year and, in general, in all parts of the
29 country. Now, to do that they must, it seems
30 to me, have sufficient revenue in order to



1 keep their plant in good physical shape and to take
2 advantage of all technological improvements.

3 THE CHAIRMAN: Well, that statement you make
4 is not true, is it? The railways are not in a
5 position to handle the shipment of the grain from
6 the Head of the Lakes to Montreal. If they were
7 burdened with it they wouldn't be able to carry it
8 out entirely?

9 A. We could do it if we were going to have
10 it as a regular thing.

11 THE CHAIRMAN: Q. Surely you cannot say
12 you could take down by rail the tremendous burdens
13 that are carried down by ships such as the
14 "Misener" and the "McLagan"?

15 A. We handled an awful lot of it during
16 the war years. I can remember freight trains going
17 out of Fort William every 20 minutes right around
18 the clock. We can do it, sir. We can handle
19 volume.

20 Q. How are you going to handle ore from
21 Seven Islands?

22 A. We don't reach there. We don't say
23 that.

24 Q. I was thinking of the two main bulk
25 trades. All right, proceed.

26 MR. WRIGHT: Q. Would you proceed, please?

27 A. I was simply saying that we must be
28 kept in a financial position to keep our plant
29 in good shape. Now, we are not saying that
30 competition should be kept out or should be



1 eliminated. All we do say is that Canada needs all
2 forms of transportation and should have the
3 advantage of it, and each should be allowed to
4 develop its inherent advantages to the full. But
5 we do say that regulation, the same type of regula-
6 tion, if applied equally to all, will certainly
7 produce the best results in the long term, and
8 for the country as a whole.

9 Q. Is that everything you wish to say on
10 that part?

11 A. I think that is about all I have.

12 Q. As was mentioned previously this
13 morning, we are asking in the Railway's submission
14 that the Transport Act be extended to the carriers
15 of bulk freight. Probably you might say something
16 on that?

17 A. Well, yes---

18 Q. And explain the reason why we are
19 asking for that.

20 A. Well, it is on the same principle
21 that I have been talking of for the last little
22 while. As far as bulk freight is concerned,
23 we compete for bulk freight. We can handle
24 bulk freight of any kind. And we do so to
25 the extent that we can compete favourably or
26 compare favourably with the water carriers'
27 costs.

28 Now, there is no question, of course, that
29 there are areas where the railways cannot compete
30 on a cost basis for certain bulk traffic such as,



1 for example, from Fort William to Montreal on
2 grain or for port to port movements of ore in bulk
3 or other goods like that. There is no question that
4 the bulk water carriers have the cost advantage
5 and they will get the traffic in that regard. We
6 cannot compete for that, but if you are going to
7 exempt bulk traffic only on those grounds, it means
8 you are eliminating an entire segment of traffic
9 from regulation and it might well affect areas
10 where the railways can compete.

11 Now, the movements are not all confined to
12 port to port movements. There is a good deal of
13 flour and feed, for example, package flour and feed,
14 which is today under exemption as bulk traffic.
15 We certainly can handle that and we do. We can
16 handle it anywhere that we run. Pulpwood is
17 another. Pigiron is another. Minerals of various
18 kinds, bulk salt, rock salt, we compete with water
19 lines for that in some areas, in some instances.
20 So that to exempt any particular bulk commodity
21 on the grounds that the railways cannot handle
22 it as cheaply as some competing form of trans-
23 portation does not take into account all of the
24 movements, just some of them. And I don't think
25 that it is practical or even reasonable to try
26 to define the areas in which bulk traffic might
27 be exempted from regulation. It seems to me
28 it would only lead to a good deal of controversy
29 and debate from time to time.

30 MR. WRIGHT: I think that is all the evidence



1 I have from Mr. Edsforth, Mr. Chairman.

2 THE CHAIRMAN: Mr. Gerin-Lajoie, you have some
3 questions?

4 MR. GERIN-LAJOIE: Normally, Mr. Chairman, we
5 would have, but before asking any questions, I think
6 Mr. Hansard, representing Canada Steamship Lines,
7 has a request.

8 MR. HAZEN HANSARD: I wonder, Mr. Chairman,
9 if it would be possible for me to put a few questions
10 to this witness in cross-examination? I am
11 supposed to be on the way to Ottawa this afternoon.
12 My friend here tells me that he has no objection
13 if the Commission has none.

14 THE CHAIRMAN: Yes. First, we might have a
15 ten-minute recess.

16 MR. HANSARD: I should perhaps have said I
17 am appearing for Canada Steamship Lines.

18 THE CHAIRMAN: Well, Mr. Gerin-Lajoie has
19 said that. You may proceed but we will have a
20 ten-minute recess first.

21 ---A short recess.

22
23 -----
24
25
26
27
28
29
30



1 ---On resuming at 12.25 P.M.:

2 THE CHAIRMAN: Proceed, Mr. Hansard.

3 MR. HANSARD: Thank you, Mr. Chairman.

4 Q. Mr. Edsforth, just to deal briefly
5 with the question of regulation that you have been
6 discussing. Now, of course, prior to 1938 when the
7 Transport Act was brought in there was no regulation
8 on a water carrier on the Lakes, was there?

9 A. That is right.

10 Q. And when that regulation was brought
11 in by means of the Transport Act, it was provided
12 that only shipowners who either could qualify under
13 what was called the grandfather clause or who sub-
14 sequently could justify on the ground of convenience
15 and necessity, could carry package freight.

16 A. Yes, under the regulation set forth
17 in the Transport Act.

18 Q. So the introduction of regulation of
19 water lines tended to provide some protection for
20 the rails at that time, is that correct?

21 A. I do not know whether you could call
22 it protection, Mr. Hansard, but it did tend to
23 provide for more equality in the way of regula-
24 tion.

25 Q. To that extent it was protection.
26 When the provision was put in at the end of the
27 Transport Act about agreed charges, that was really
28 to afford some relief to the Regulated carriers
29 against the non-Regulated carriers?
30



1 A. Yes.

2 Q. So you are not putting that forward as
3 a restriction specifically to you?

4 A. No, I did not say the Transport Act
5 provision under the agreed charges is a restric-
6 tion on us at all.

7 Q. So far as the difference between the
8 regulated water carriage and the regulated rail
9 carriage is concerned there are some differences,
10 are there not?

11 A. Yes, I named them this morning.

12 Q. You enumerated there were no statutory rates
13 affecting the water carriers.

14 A. That is right.

15 Q. Have you taken into account in that
16 the so-called bridge subsidy?

17 A. As a statutory rate, Mr. Hansard?

18 Q. Which has a statutory effect on rates.
19 May I put it this way, Mr. Edsforth: There was
20 introduced what has been called the bridge subsidy
21 whereby the rail lines were required to reduce their
22 rates by an amount up to \$7,000,000 on traffic
23 moving between east and west, is that correct?

24 A. That is in Section 468, that is
25 right.

26 Q. That provision was first introduced
27 in the form of a Bill, as a matter of history, it
28 was going to provide a subsidy for the railways
29 because of the difficulties of operating over the
30 bad lands of Northern Ontario.



1 A. That is not a subsidy for the railways.
2 It is a subsidy for the freight payers.

3 Q. Originally, Mr. Edsforth, if you re-
4 member, the Bill was introduced without any require-
5 ment that the rates be reduced. Do you recall that?

6 A. Originally, I do not recall that. You
7 may be right.

8 Q. I am right. You may accept my state-
9 ment.

10 A. I can accept your statement.

11 Q. Then in the course of passage through
12 Parliament the last Section was added requiring the
13 railways to reduce their rates by the amount of the
14 so-called subsidy that they were to get.

15 A. That is right, yes.

16 Q. In effect that \$7,000,000 has been ab-
17 sorbed in the operation of that provision each year,
18 has it not?

19 A. Absorbed, how do you mean?

20 Q. It was up to \$7,000,000.

21 A. A maximum of \$7,000,000.

22 Q. And that maximum has been reached in
23 each year.

24 A. That is right.

25 Q. So that you, or the railway -- when
26 I say "the railway" I mean you -- have been compel-
27 led to reduce your east-west rate by \$7,000,000?

28 A. Yes, to the extent that -- well, as
29 best we can.

30 Q. The railways get the \$7,000,000 back?



1 A. We recover it from the Federal Govern-
2 ment.

3 Q. Now, the regulated water rates over the
4 same area, shall we say, from the head of the Lakes
5 east or west, as the case may be, are rates that bear
6 a competitive relationship to the railway, are they
7 not?

8 A. On package freight, you are now talking
9 of?

10 Q. On package freight.

11 A. Yes, that is so.

12 Q. To that extent, if the rail rates are
13 reduced, then the water rates have to be reduced to
14 meet the competition? That has happened.

15 A. Yes.

16 Q. As a result of this bridge subsidy the
17 water lines, the regulated water lines, have been
18 obliged to reduce their rates without getting back
19 any subsidy.

20 A. As far as I am aware, Mr. Hansard,
21 there is no provision for recovery by water lines
22 of any reduction they may make on that account.

23 Q. So I cannot prove it through you. But
24 to the extent that they have to reduce their rates
25 without recovery, that is a penalty on them rather
26 than a subsidy, is it not?

27 A. Rather than a subsidy to whom, Mr.
28 Hansard?

29 Q. I am not arguing with you. I concede
30 it is a subsidy to the Western ---



1 A. For the people that pay the freight.

2 Q. To the people that pay the freight?

3 A. Yes.

4 Q. But so far as you are concerned, you
5 get reimbursed for what you have to lay out?

6 A. That is right.

7 Q. The water lines do not?

8 A. That is right.

9 Q. You spoke of a statutory rate on grain
10 to the Lakehead.

11 A. Yes.

12 Q. And that applies from the Lakehead west,
13 or west ---

14 A. West to the Lakehead really.

15 Q. Now, so far as the grain, the bulk
16 grain moving on the Lakes, is concerned, those rates
17 are regulated, are they not?

18 A. They are, as I understand it, subject
19 to the maximum rates fixed by, I believe, it is the
20 Board of Grain Commissioners, but they are not statu-
21 tory rates.

22 Q. No, I am not saying they are statutory
23 rates. I am just asking that piece of information.

24 A. I want to make it clear, through.

25 Q. I understand that. There are no
26 statutory rates actually applying in any area cover-
27 ed by water competition, are there?

28 A. None -- you mean statutory rail rates?

29 Q. Yes.

30 A. That is from Fort William down to ---



1 Q. Let us say Montreal.

2 A. We have none in the Canadian Pacific
3 that I know.

4 Q. As a matter of fact, of course, the
5 regulation of package freight moving by water covers
6 from the east end, I think, of the Islands of Orleans
7 up to the Head of the Lakes.

8 A. That is right.

9 Q. But the real movement starts from
10 Montreal to the Head of the Lakes.

11 A. To the Head of the Lakes I think it is,
12 the effective movement.

13 Q. When the Transport Act was introduced
14 they exempted from regulation goods and bulk as de-
15 fined in the Act.

16 A. Yes.

17 Q. Without getting into a wrangle with
18 you about whether what was exempted was proper or not,
19 generally speaking bulk goods lend themselves more
20 readily to water transportation than they do to
21 rail transportation, is that not correct?

22 A. Between certain points they do, Mr.
23 Hansard, depending on the volume of movement.

24 Q. What would you say was the most im-
25 portant movement of bulk goods on the Lakes?

26 A. Today?

27 Q. Yes.

28 A. Well, I would certainly say bulk
29 grain by all means.

30 Q. Well, does that not lend itself



more readily to water transportation?

A. Between Fort William and Montreal it does, yes.

Q. Well, that is where the water is.

A. Yes, that is where the water is.

Q. Then you say there is no specific provision for the equalization of rates under the Transport Act. Is it not a fact that because water rates are competitive with rail rates, that any adjustment you have to make downwards in your rates affects water rates?

A. It follows, but it is a voluntary act, not by the railway lines.

Q. Voluntary to the extent they have to stay in business.

A. They must meet the rates that they think they need to complete.

Q. But assuming that the level of rates before equalization was based on the competitive factor playing between the two forms of transportation, then, if you reduce the rail rate the water lines have to reduce their rates to stay in competition.

A. To whatever extent they feel necessary, yes, not necessarily by the same amount.

Q. Not necessarily, but it produces a reduction.

A. That may be.

Q. So there is that indirect effect.

A. It is an indirect effect, not one



covered by the Act.

Q. The 1-1/3 rule applies on rates moving to the west only?

A. British Columbia and intermediate territory.

Q. But the 1-1/3 rule is affected by the water rates to the extent that the water carriage participates in the through rate?

A. To the extent you desire to participate, yes.

Q. If we did not participate, we do not have much fun.

A. No, but what I was simply pointing out, if I may, Mr. Hansard, is the principle of restricting your ability to make competitive rates. That is really the point I had in mind.

Q. Quite apart from these four differences you say there are, as far as the package freight regulation is concerned the water lines are in the same position, generally speaking, as rail in the area in which they are regulated.

A. Yes.

Q. That is the area where they are.

A. Well, you are talking about the water lines on the Great Lakes?

Q. Yes.

A. Yes, but of course ---

Q. I represent a line that is operating on the Great Lakes.

A. I am looking at it from the viewpoint---



1 Q. Do I understand, Mr. Edsforth, it is
2 the position of the railway that they want the
3 changes you are proposing to bring the bulk carriage
4 in because of the impending opening of the St.
5 Lawrence Seaway, or is that something that you would
6 like to have anyway?

7 A. Well, I think we feel it should have
8 been there all along, but it is going to accentuated
9 by the Seaway.

10 Q. So far as the regulatory regulations
11 are concerned, you can only carry bulk freight if
12 you are licensed, package freight, I mean.

13 A. Yes, package freight.

14 Q. If you are licensed?

15 A. That is right.

16 Q. You cannot get a license for a new
17 vessel unless you show public convenience and neces-
18 sity?

19 A. That is right. I understand each
20 vessel is licensed separately.

21 Q. Under the Transport Act, and nobody
22 but a licensee can carry bulk freight in licensed
23 vessels?

24 A. Package freight.

25 Q. To that extent the water carriers
26 are restricted. They cannot increase their fleet
27 without going to the Board and showing public neces-
28 sity and convenience?

29 A. Yes, they have to have a license.

30 Q. And of course there is no distinction



1 between them and the railways in that regard because
2 the railways, if they want to, are free to order
3 as many freight cars as they choose.

4 A. Yes, that is true. We have to get
5 permission to build a new rail line, though.

6 Q. That may be, but you have got the
7 rail lines pretty well.

8 A. No.

9 Q. You are abandoning some of them?

10 A. We are building new ones too.

11 Q. For that matter you can get as many
12 freight cars as you wish and you can make them up
13 into trains as you wish?

14 A. Yes, that is right.

15 Q. Long or short, depending on the traffic
16 offered?

17 A. That is right.

18 Q. That is a difference between rail
19 carriage and water carriage because a boat remains
20 the same size, regardless.

21 A. Yes.

22 Q. You mentioned in two connections
23 that you are under a necessity to provide facili-
24 ties, standby facilities, I think perhaps was your
25 expression.

26 A. Yes.

27 Q. Just in case the water competition
28 was not there to carry the goods?

29 A. Or in the season of the year when
30 they cannot operate.



1 Q. That is what I was just getting to.
2 I see you anticipated me. We do have winter here.

3 A. We certainly do.

4 Q. So if you have to provide standby
5 facilities in winter, they will be there in the sum-
6 mer, naturally, would they not?

7 A. The standby facilities?

8 Q. Yes.

9 A. Oh, yes, they have to. We can't
10 abandon them that quickly.

11 Q. That is my point exactly.

12 THE CHAIRMAN: Q. Do you not move your
13 freight cars elsewhere?

14 A. Yes, we move them off and our equip-
15 ment around, sir. We must have the terminals and
16 personnel and so forth.

17 Q. The Section requires you to have avail-
18 able freight cars and locomotives and that sort of
19 thing?

20 A. Yes, and all the facilities.

21 Q. You take those where you need them
22 for the traffic?

23 A. That is right, sir.

24 Q. You do that in spite of that Section?

25 A. In spite of that Section; well, we
26 would move them where we need them, sir.

27 Q. You do not keep so many freight cars
28 standing in the yards at Port Arthur or at Fort
29 William just in case there may be a complete break-
30 down of the water carriage for grain?



1 A. No, I wouldn't say that.

2 MR. HANSARD: Q. Now then, I would like
3 to ask you just a couple of questions about Exhibit
4 119 that you put in. So far as your traffic is
5 concerned, you show the St. Lawrence ports and the
6 United States North Atlantic ports, but is there no
7 movement through the Canadian Atlantic ports?

8 A. Well, I did not take it into my con-
9 siderations, Mr. Hansard, because, generally speaking,
10 the movement to Canadian Atlantic ports, at least
11 as far as the Canadian Pacific is concerned, which
12 is Saint John, does not take place during the season
13 of open navigation on the Great Lakes. There is
14 some but almost ---

15 Q. There is some?

16 A. It is not great.

17 Q. Is that true also of the American
18 ports?

19 A. They operate, of course, year-round.

20 Q. So does Saint John.

21 A. Yes, when the Seaway is opened. My
22 reasoning in there is that in the winter months
23 they won't be in a position to bring it up the
24 Seaway. It would have to come by rail.

25 Q. But all I am asking you is that,
26 is there any distinction between Saint John, which
27 is your winter port, and Portland or Boston?

28 A. Yes, there is this distinction: that,
29 as I say, there is very little moves through the
30 port of Saint John in the summer months, but there



1 is movement through the United States North Atlantic
2 ports winter and summer.

3 Q. Why is that?

4 A. Well, I do not know that I can give
5 you that information, Mr. Hansard. The United States
6 does not have an inland port like Montreal, of course,
7 as we have in Canada. They must handle all their
8 traffic through the seaboard ports.

9 Q. That is the only reason?

10 A. That is the only reason. I mean, they
11 must keep going winter and summer, whereas we have
12 a sort of dual system here. A summer port at Mont-
13 real where the boats can go far inland, and a winter
14 port which is in use when the St. Lawrence is frozen.
15 Of course, that is not one hundred percent, you
16 understand. There is some movement, of course,
17 through the Maritime ports in the summer, in the
18 summer months.

19 Q. So when you say you have a dual system,
20 you are talking about the Canadian Pacific?

21 A. Yes, or Canada. It comes to the same
22 thing, really.

23 Q. You spoke about movements via the Panama
24 Canal.

25 A. Yes.

26 Q. And you said that the introduction of
27 the Seaway, as I understood you, would tend to
28 accentuate that competition.

29 A. We believe so.

30 Q. In what way? I am puzzled by that.



1 A. Well, simply in this way, Mr. Hansard,
2 that there are fairly good-sized ships or ships
3 capable of operating both on the Pacific and on the
4 Atlantic Oceans and through the Canal as well. When
5 the Seaway is open they will be able to come right
6 up into the Great Lakes. They cannot do that now.
7 Instead of having to take a cargo of lumber for com-
8 plete discharge at Montreal, they can take it and
9 discharge at Montreal, part of that there, and then
10 carry right on into the Great Lakes and of course
11 they will be able to do that cheaper.

12 Q. Which way is this material coming
13 from?

14 A. From British Columbia.

15 Q. Your competition that you are envisag-
16 ing would come around through the Panama Canal, up
17 the St. Lawrence and into the middle of the Continent
18 before they have to unload?

19 A. Certainly.

20 Q. So you say they would still be able
21 to do that cheaper?

22 COMMISSIONER WICKWIRE: Q. What kind of
23 goods?

24 A. B.C. fir and things like that.

25 MR. HANSARD: Q. Why do you say they
26 would still be able to do that cheaper than to
27 haul it across by land, by rail?

28 A. Well, it is either all the way by
29 water or all the way by rail.

30 Q. It could be all the way to the head



1 of the Lakes by rail and then by water?

2 A. No, I wouldn't think so because the
3 transshipment is too great. I would say it is diffi-
4 cult to conceive. I would not anticipate ---

5 Q. You relate this only to lumber?

6 A. No, I said canned goods too. Those
7 are the two.

8 Q. They can be transshipped?

9 A. Yes, they can be transshipped all right.

10 Q. Other things can too?

11 A. Yes, to the extent they are moving.
12 I was thinking of the two principal movements from
13 British Columbia, though.

14 THE CHAIRMAN: Q. Are any of the ships
15 that are now on that inter-coastal run capable of
16 going through this deep canal?

17 A. The Saguenay Terminal ships, sir.
18 I do not really know. I am afraid I have not the
19 answer, although I think so, but I would not be sure.

20 MR. HANSARD: I think that is all I have.
21 Those are all the questions I have. Thank you
22 very much, sir.

23 THE CHAIRMAN: Put in your next witness.

24 MR. WRIGHT: Yes, all right, Mr. Chairman.
25 Mr. Stone.

26
27 FRED VICTOR STONE, called.

28 BY MR. WRIGHT:

29 Q. Mr. Stone, you are employed by the
30 Canadian Pacific Railway Company?



1 A. Yes, that is right.

2 Q. What is your position?

3 A. Manager of the Department of Research.

4 Q. What are the functions of that Depart-
5 ment?

6 A. Oh, the functions of the Department
7 are varied, but in general terms they can be said
8 to conduct inquiries into various problems in trans-
9 portation affecting the Canadian Pacific Railway.

10 Q. Economic and otherwise?

11 A. Economic, operating and otherwise.

12 Q. If I may go back a little further, you
13 came from Alberta originally and received your early
14 schooling there?

15 A. Yes, sir.

16 Q. A Bachelor of Arts degree from McGill,
17 which was an honours degree in economics and political
18 science.

19 A. That is right.

20 Q. You received your B.A. in 1931 and
21 your M.A. in 1933?

22 A. That is right.

23 Q. And your M.A. was from McGill as well
24 as your B.A.?

25 A. That is right.

26 Q. You were at the University of British
27 Columbia as an exchange student for a year, is
28 that correct, Mr. Stone?

29 A. That is right.

30 Q. I think you wrote a thesis, "Unemploy-



1 ment Relief in Western Canada"?

2 A. Yes, a sign of the times.

3 Q. You had a research scholarship from
4 the Rockefeller Foundation?

5 A. That is right.

6 Q. For two years, for economic research,
7 is that correct?

8 A. That is right.

9 Q. Now, dealing with your business career,
10 Mr. Stone, I understand that from 1934 to 1937 you
11 were the secretary to the Premier of Alberta?

12 A. That is right.

13 Q. One year with Premier R.C. Reid and
14 two years with Premier William Aberhart?

15 A. Yes.

16 Q. When did you enter the service of the
17 Canadian Pacific Railway?

18 A. In 1937.

19 Q. And then in July, 1941 you went on
20 loan to the Dominion Government?

21 A. That is right.

22 Q. You were there with the Department
23 of Munitions & Supply, Aircraft Production Branch?

24 A. And later with the Wartime Prices and
25 Trade Board.

26 Q. You were the personnel manager for
27 Canadian Pacific Airlines for two years?

28 A. That is right.

29 Q. And from September, 1944 to March,
30 1945 you were the special representative of the



1 Department of Personnel for the Canadian Pacific
2 Railway?

3 A. That is right.

4 Q. And in April, 1945 you joined the De-
5 partment of Research at the Canadian Pacific Railway?

6 A. That is right, the Department of Re-
7 search was started at that time.

8 Q. In 1945?

9 A. That is right.

10 Q. You are one of the original employees?

11 A. I am.

12 Q. What was your position when you first
13 started?

14 A. Research assistant, if I recall correc-
15 tly.

16 Q. Then you became assistant to the Manager,
17 and then Assistant Manager; and when did you reach
18 your present position?

19 A. I think it was in 1951.

20 Q. Now, Mr. Stone, may I refer to section
21 9 of the Canadian Pacific submission, which is brief
22 No. 87 of the bound volume, page 2 of the bound
23 volume, where it is stated that:

24 "It is the Railway Company's submission
25 "that this economic objective cannot be
26 "achieved";

27 and at that point I want to go back to paragraph
28 5, which says:

29 "The objective should be to provide the
30 "people of Canada with adequate and modern



1 "transportation services at the lowest cost
2 "to the nation and without unnecessary or
3 "uneconomic consumption of labour and
4 "materials".

5 Then going back to 9:

6 "It is the Railway Company's submission
7 "that this economic objective cannot be
8 "achieved, (b) unless regulation bears
9 "evenly on all forms of transportation,
10 "giving as far as possible equality of
11 "opportunity and of responsibility. Not
12 "only is it manifestly unfair when the bur-
13 "den of regulation falls more heavily on
14 "one competitor than on another, but it
15 "is also uneconomic because it impairs the
16 "productive strength of the burdened competi-
17 "tor."

18 Now, would you be good enough to make some comments
19 on that?

20 A. Well, paragraph 9 (b), which you read,
21 is, of course, connected with paragraph 8 wherein
22 we say that the problem is to harmonize competition
23 and regulation so as to produce the required trans-
24 portation at the lowest cost to the nation.

25 Implicit in our submission is the concept
26 that required transportation includes a common car-
27 rier service.

28 Q. Yes, what do you mean by "common
29 carrier service"?

30 A. Well, in this context I mean that a



1 common carrier service is a service required by
2 statute to provide dependable operations offering a
3 service to all shippers at reasonable rates without
4 any undue preference or unjust discrimination. If
5 it were not for the common carrier service, which
6 would arise only if the required transportation for
7 all shippers could be supplied either by the shippers
8 providing their own transportation, or by hiring
9 carriers to provide transportation, then there would
10 be no need for regulation. Under those circum-
11 stances all carriers would be free to provide or not
12 to provide a service as they saw fit and they would
13 be free to charge whatever prices they saw fit for
14 the services provided.

15 Q. Under those circumstances what would
16 be the regulator of services and prices?

17 A. Well, in those circumstances competi-
18 tion would be the sole regulator of both services
19 and prices?

20 THE CHAIRMAN: Q. That would be a highly
21 startling thing to contemplate, that such an old-
22 fashioned economic substitute as competition should
23 ever regulate prices.

24 A. Well, Mr. Chairman, I do not think
25 that the transportation facilities in Canada have
26 yet developed to the point where the shippers and
27 the public generally would be prepared to dis-
28 pense with the common carrier service and the regu-
29 lations which ensure the continuance of such a
30 service.



1 Q. In Canada. So when you speak of that
2 you throw in all Canada?

3 A. I am speaking of Canada in general
4 and the shippers of Canada in general. I am speaking
5 of public interest and public policy.

6 Q. Do you think that the shippers of
7 grain from either Port Arthur or Fort William which
8 you move in the summer months would not be ready to
9 dispense with common carrier service?

10 A. Well, I think they are very much con-
11 cerned that there must be sufficient carrier capacity
12 to handle their traffic.

13 Q. Now the only common carriers that they
14 have are the two railways; does public necessity
15 require them to stay in that particular field?

16 A. Require the water carriers to stay
17 there?

18 Q. No, the common carriers.

19 A. Oh, I think it does.

20 Q. In the summertime?

21 A. I think the public considers that that
22 common carrier service is necessary.

23 Q. In the summertime?

24 A. For the year-round.

25 Q. I said in the summertime in the
26 navigational season?

27 A. Well I, sir, am trying to deal here
28 with principles, the principle underlying the con-
29 cept of common carrier service, and it may be
30 that there are some circumstances where water



1 transportation services does not affect the common
2 carrier service. There may be some circumstances
3 where the common carrier service is not needed, and
4 it seems to me that there should be with the regu-
5 latory authorities sufficient discretionary power to
6 deal with a situation like that.

7 Q. The discretionary power in any statute
8 is intended to be applied only in an extraordinary
9 situation and not as a standard method of cutting a
10 part of the sail out from the statute. If that
11 is the intent, it should be done by extension of
12 the statute and not by a discretionary power. I
13 give that to you as a pretty sound principle of legis-
14 lative drafting.

15 A. Well, sir, I am not in a position to
16 argue that point.

17 Following on with the point I was just dis-
18 cussing, it is true that shippers and the public
19 generally are not nearly as dependent upon common
20 carrier service now as they have been in past decades
21 on account of the development of different types of
22 transportation rendering shippers less dependent
23 upon any one type of carrier. Nevertheless, there
24 is still a very substantial dependence upon common
25 carrier service and reliance upon carriers who
26 are required by law to provide a regular service
27 under regulated rates. The economy of the country
28 is geared in a large measure to common carrier
29 transportation service, and I would certainly have
30 thought that includes transportation of grain and



grain products.

1 THE CHAIRMAN: Q. It would be hard to think
2 of that coming from Saskatchewan to the head of the
3 Lakes any other way.

4 MR. WRIGHT: Q. Mr. Stone, do you think
5 there is anything to indicate in the foreseeable
6 future that the common carrier service will dis-
7 appear in this country?

8 A. Well, there is no indication in the
9 foreseeable future of any other practicable and
10 acceptable system of transportation completely dis-
11 placing the common carrier. The ability of the
12 common carriers to provide regular dependable ser-
13 vice and to discharge the obligations imposed upon
14 them by law and by regulation is dependent upon
15 there being a regular flow of traffic available to
16 them.

17 This ability to perform a common carrier
18 service is seriously impaired when it is possible
19 for a non-regulated carrier to pick and choose
20 traffic to make the highest profit to himself,
21 traffic which otherwise would be handled by common
22 carriers, and an impairment of this ability to
23 perform a common carrier service is an impairment
24 of public convenience and necessity.

25 Q. Mr. Stone, you mentioned the possi-
26 bility of a non-regulated carrier picking and
27 choosing traffic. Just what do you mean by that?

28 A. Well, I meant the sort of thing which
29 Mr. Edsforth referred to of a particular trip under
30



1 special circumstances, a carrier might pick up some
2 traffic from one point to another at a low rate
3 which would be sufficient just to cover his minimum
4 trip costs associated with that movement, but that
5 rate would not be high enough to cover his costs
6 if he were performing a regular service.

7 Q. Now, you spoke of impairment of public
8 convenience and necessity. I am not just clear
9 what you meant by that.

10 A. Well, public convenience and necessity
11 is recognized as requiring a regular dependable
12 transportation service with published rates and so
13 on. Now, if public convenience and necessity re-
14 quire that type of service, then anything which im-
15 pairs the ability of a carrier to perform that
16 service is, I think it follows, an impairment of
17 public convenience and necessity.

18 THE CHAIRMAN: The very movement which you
19 want to bring under license is not regular. You
20 used a lot more adjectives. The essence of it is
21 that it moves suddenly, it moves in great volume and
22 immediately ships are speeding up the Great Lakes
23 to Port Arthur, load there and dump it just as
24 fast as they can and go back up again. That is
25 not the kind of thing which you say requires a
26 common carrier.

27 MR. WRIGHT: Mr. Chairman, what he is say-
28 ing is, there is traffic moving which does require
29 the common carrier, and that is traffic which we
30 are moving and that our ability to perform the



obligations should not be impaired.

THE CHAIRMAN: I am referring to that part of your recommendation which deals with the necessity of licensing bulk carriers, if that is part of your recommendation.

THE WITNESS: Yes, sir.

Q. I say on the very terms of which you are speaking there is nothing to license because they are not doing a common carrier service. They are doing a concerted rush job. If you were dealing with ore, there is necessity, but coming through the Great Lakes the amount will vary tremendously in the absence of that cargo.

THE WITNESS: Well, where there is a sudden unexpected rush of traffic or volume of traffic to be carried which is beyond the capacity of the licensed operators, I should think that it would be within the power of the regulatory authority to grant such licenses and to grant them quickly.

Q. There is nothing sudden about grain. It has to be carried down at a certain time and time is short. It arrives at a certain time each year. It may be a different month in which it moves, but it has to be moved then. It cannot be spread out in an orderly fashion. It is not, to use your words, "regular traffic", or perhaps it is regular in the sense it is regular only for that time. You used an adjective to describe that, repeating and intermittent, I think.

A. Yes.



F.V. Stone

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THE CHAIRMAN: I think we will adjourn
until 2.30.

---The hearing adjourned at 1.05 P.M. until
2.30 P.M.



1 ---On resuming at 2:35 p.m.

2 FRED VICTOR STONE, recalled

3 THE CHAIRMAN: Proceed.

4 MR. WRIGHT: Q. Mr. Stone, we have been
5 speaking about regulation. Have you any views on
6 how far regulation should go?

7 A. I would say that since the only
8 justification of regulation is the assurance of
9 a common carrier service, a regular service,
10 regulation should not go beyond the degree
11 required to maintain such service. In the
12 Canadian Pacific Brief we ask only for that degree
13 of regulation and no more.

14 Q. Would you like to say something about
15 licensing?

16 A. Yes, licensing is required to maintain
17 carrier service in order to control entry into
18 the service, and that control is for the purpose
19 of assuring that the carrier capacity is adequate
20 and no more than adequate, to provide the required
21 service. Now, excessive capacity is wasteful
22 and uneconomic.

23 Q. Why do you say that, wasteful and
24 uneconomic?

25 A. Well, because excessive capacity
26 results in poor utilization of equipment and
27 facilities and staff, it results in poor pay
28 load; and poor utilization and poor pay load
29 result in increased costs per unit of service,
30 that is increased costs per ton or per ton mile.



1 Now, since the common carrier is obligated
2 to provide a regular service and to carry goods
3 for all shippers at all times, he must be protected
4 against the uneconomic results of excessive
5 capacity in order that he may operate at the lowest
6 cost consistent with service requirements.

7 ~~Regulation~~ Regulation of capacity through licensing is
8 essential to economical operation by the common
9 carrier.

10 Q. And would you say something about
11 regulation of rates?

12 A. Well, regulation of rates is the other
13 side of the coin and follows logically from regulation
14 of capacity. If a carrier is to have the privilege
15 of protection by some restriction on the entrance
16 of competing carriers, and if the protection is
17 given, as in fact it is given, to enable the
18 protected carrier to offer service to all shippers
19 at equal rates for like goods, carried under
20 like circumstances: then it is necessary that
21 the carrier rates be published and that they be
22 subject to the test of reasonableness, that is,
23 that they be fair and reasonable for the shipper
24 and for the carrier.

25 I suppose I could sum up what I have just
26 being saying this way, that a licensing regulation
27 subjects capacity to the test of public conveni
28 convenience and necessity; and rate regulation
29 subjects rates to the test of reasonableness,
30 the criteria of reasonableness being a fair



1 return on investment to the efficient operator
2 and, for the shipper, freedom from unjust dis-
3 crimination and undue preference.

4 Q. Now, Mr. Stone, in paragraph 7 of
5 the submission of Canadian Pacific it reads as
6 follows:

7 "Notwithstanding competition between
8 "different forms of transportation, the
9 "transportation industry is subject in
10 "varying degrees to regulation and control
11 "by Government authorities. The theory
12 "and practice of regulation and control
13 "in the transport industry is undergoing
14 "critical scrutiny in many quarters as
15 "the result mainly of the rapid development
16 "of highway transportation which is giving
17 "increased competition to the railways.
18 "The basic problem---"

19 This is what I would like your comments on,
20 Mr. Stone:

21 "The basic problem is how to apply
22 "regulation and control in such a way as
23 "to permit the benefits of competition
24 "to be realized and at the same time
25 "assure adequate transportation from the
26 "standpoint of capacity, regularity and
27 "dependability of service over the long
28 "term and in all seasons of the year."

29 A. Well, so far I have been talking
30 about regulation, but I want to say that



1 regulation that we are requesting in the interests
2 of maintaining common carrier service does not
3 rule out competition, it allows for regulated
4 competition, and since regulation is essential
5 to the common carrier service, competition must be
6 regulated competition. Otherwise it does not
7 provide for equality of opportunity and responsibility
8 and without those it tends to put a burden on the
9 carrier required to provide the service.

10 Public convenience and necessity require
11 that transportation be provided at the lowest cost
12 to the public at large, consistent with the
13 requirements of the service. This means that
14 there must be opportunity for the development
15 of technological improvements and for the most
16 efficient carrier to have the opportunity to
17 provide service under regulation, provided they
18 are prepared to accept the responsibilities and
19 obligations.

20 In other words it is not the purpose of
21 regulation to protect inefficiency. The
22 efficient operator is the one who is prepared
23 to accept responsibilities and obligations and
24 provide the service at the lowest cost.

25 COMMISSIONER WICKWIRE: Provided he has
26 an exclusive run?

27 A. That is right, provided he is prepared
28 to conduct a regular service. I would add that
29 the regulation we envisage does not rule out
30 the operation of the specialized carrier. It



1 might be said that the specialized carrier is not
2 a common carrier in the fullest sense of the word
3 and I would be prepared to admit that. Specialized
4 carriers who have types of vessels that are
5 equipped to accommodate only grain or ore or oil,
6 those are specialized carriers and they are in a
7 position to offer low-cost transportation.

8 But we are saying that the specialized
9 carriers should be licensed and that they should
10 be required to publish their rates.

11 Nor does the regulation that I envisage
12 rule out the operations of the contract carrier,
13 and in that connection, if I may, I should like to
14 refer to what the Presidential Advisory Committee---
15 MR.WRIGHT Q.The Presidential Advisory Committee
16 Report?

17 A. Yes, I would like to refer to their
18 Report. This was the report of the Special
19 Advisory Committee on Transport Policy and
20 Organization.

21 Q. That has been filed as Exhibit 2,
22 I understand, Mr. Chairman?

23 A. In regard to contract carriers
24 their recommendation was:

25 "Re-define motor and water contract
26 "carriage as being that transportation
27 "providing services for hire, but
28 "otherwise equivalent to bona fide
29 "private carriage, and require that
30 "actual rather than minimum charges be



"filed."

Then they go on to say:

"The definition of contract carrier by
"motor vehicle and contract carrier by
"water provided in the Interstate Commerce
"Act, should be sharpened to make clear
"that such carriers are of a specialized
"nature, and that they should be so
"regarded only if they clearly substitute
"for a feasible private carrier operation
"and do not perform common carrier services
"which ordinarily would be undertaken
"by common carriers."

Now, in this same report the bulk carriers
are dealt with, and I should like to read their
recommendation in that connection which was:

"Repeal the bulk commodity exemption applicable
" to water carriers so as to subject such trans-
"portation to regulation similar to that appli-
" cable to other transportation---"

They say:

many
"Both railroads and/common carriers
"by water in the competing service in
"the carriage of bulk commodities are
"fully regulated including the requirement
"that actual rates be published. Bulk
"water carriers in exempt operations on
"the other hand do not publish their
"rates and are able to obtain competitive
"traffic by quoting lower than the published



1 "rate."

2 THE CHAIRMAN: Was this report implemented
3 by U. S. legislation?

4 MR. WRIGHT: Mr. Chairman, that report was
5 made just recently, I believe it was last April,
6 and there is now a Bill before Congress, Bill
7 S1920, for consideration implementing, I believe,
8 a great many of the recommendations which were
9 made in this.

10 THE CHAIRMAN: Including that latter
11 recommendation?

12 MR. WRIGHT: Well, I would not like to say
13 that, I have not up to now seen this S1920, but
14 I will get that.

15 THE CHAIRMAN: I don't think I need to get
16 it. Is it a private Bill or is it---

17 MR. WRIGHT: Oh, no, I would assume it would
18 be a Government measure. It would be amending
19 the Interstate Commerce Act, Mr. Chairman.

20 COMMISSIONER WICKWIRE: At any rate
21 American bulk carriers on the Great Lakes are
22 not regulated now, or licensed.

23 MR. WRIGHT: There is an exemption, I
24 think, in relation to bulk.

25 COMMISSIONER WICKWIRE: In other words,
26 they are not licensed?

27 MR. WRIGHT: That is right, that is my
28 understanding of it.

29 Q. There was just one point I wish to
30 clear up arising from the questions Mr. Commissioner



1 Wickwire asked.

2 Q. I think you said, Mr. Stone, that the
3 most efficient operator is the one who is prepared
4 to accept the responsibilities and obligations
5 of providing a regular service and so on, and I
6 think Mr. Commissioner Wickwire said "provided he
7 is given an exclusive run". Now, I think that was
8 your comment. I think your answer was "Yes",
9 Mr. Stone. Do you mean to imply by that that he
10 should be the only operator in the field?

11 A. Now, I am afraid I misinterpreted the
12 question.

13 Q. That is what I took from it.

14 A. Because there might be other operators
15 licensed in the same run but they would be
16 licensed.

17 Q. What you meant, provided they had a
18 license after establishment?

19 A. That is right. Licensing is not
20 exclusive in the sense that only one person can
21 be licensed. The very essence of licensing is
22 to regulate capacity so that, as I said before,
23 capacity is adequate but not more than adequate.
24 Of course if licensing were completely exclusive,
25 there would be no opportunity -- or certainly
26 the opportunities for technological improvements
27 and greater efficiency would be perhaps unduly
28 restricted.

29 THE CHAIRMAN: You will go so far as to
30 say then, there would have to be licenses for



1 at least two people on any route?

2 A. Well, I would say this, that if there
3 were two people licensed on a route, there would
4 be more competition than if there is only one.

5 Q. That is what I asked you. Do you mean
6 to say you would, where there was a single operator
7 licensed and an application by another operator
8 to go into it, that you would support the opposition
9 to that if it was not reasonable and necessary?

10 A. I think all the circumstances would have
11 to be taken into account.

12 Q. Then if there were some circumstances,
13 you would support such opposition?

14 A. Yes, if there was---

15 Q. Well, I tell you then that in my opinion
16 the element of competition simply becomes
17 imaginary.

18 COMMISSIONER BELANGER: Is there any field
19 in the canal lakes or special transportation in
20 canal lakes where it is more efficient to have
21 only one operator and the boss sends him from
22 one point to another; there is licensing there
23 and there is only one operator?

24 A. I think you could find quite a number
25 of cases where the volume of traffic was such
26 that there was really only enough to keep one
27 operator going.

28 Q. So you mean in certain fields or
29 in certain circumstances it is more economical
30 to have one operator more than it might be



1 to have two, more than to have three or five or
2 ten?

3 A. That is right.

4 THE CHAIRMAN: It might be more economical.
5 I did not use the word "economical" at all. I
6 used the word "competition" and there is no
7 competition if there is only one operator. I don't
8 care whether the field is narrow as a needle or
9 as wide as a highway. If there is only one operator
10 there is no competition.

11 MR. WRIGHT: Manson's Landing in British
12 Columbia might be one example where it might have
13 been more desirable to have had one operator,
14 the people of Manson's Landing might have been
15 better served had there been just the one
16 operator whose rates were controlled.

17 THE CHAIRMAN: Of course, I am not so much
18 concerned with cases such as that one or with
19 the single one. What I am concerned about is
20 the lack of competition for the carriage of
21 bulk cargoes particularly on the Great Lakes,
22 and I cannot conceive of such a limitation
23 having any other effect than highly destructive
24 of the chief aim, surely, and that is cheap
25 transportation of bulk cargo.

26 MR. WRIGHT: Of course, the licensing
27 body, Mr. Chairman, would have power to admit
28 as many carriers as all the circumstances
29 showed that were required.

30 THE CHAIRMAN: If they would admit enough



1 to make competition real, then they would be
2 doing exactly the same thing as if they were
3 not licensed.

4 MR. WRIGHT: We submit not, Mr. Chairman.
5 They would still be filing their rates.

6 THE CHAIRMAN: I think that Mr. McLagan in
7 his interests would be quite ready to prove
8 adequately now that there are more than enough
9 carriers in the Great Lakes right now and we
10 should not have any further interests.

11 MR. WRIGHT: There might easily be at that,
12 Mr. Chairman, and if he could probably there should
13 not have been any more carriers.

14 THE CHAIRMAN: I am afraid we have made a
15 great mistake in going forward with the Seaway.
16 It would seem to be an uneconomical thing.

17 MR. STONE: I think of course the regulatory
18 authorities should have sufficient discretionary
19 judgment and power that if they have reason to
20 believe there is some other operator who can
21 come in and perform the service more efficiently
22 than the operator who is there now, he should have
23 an opportunity to do so. That is the problem
24 really of harmonizing regulation and competition.
25 That is our real problem.

26 COMMISSIONER WICKWIRE: There was another
27 problem raised, Mr. Stone -- I have forgotten
28 whether it was Winnipeg or the West Coast -- that
29 if you come to the question of licensing and bring
30 all shipping under the Transport Act, that



1 the Board is railway-minded, railway dominated,
2 and that the shipping people would not receive
3 fair treatment. At least, that was the inference
4 we got. Would you care to comment on that?

5 A. Well, I don't know whether I should
6 comment or not, but I certainly would not envisage
7 that as being a problem.

8 THE CHAIRMAN: Are there members of the Board
9 who came from the shipping industry?

10 MR. WRIGHT: On the Board of Transport
11 Commissioners, Mr. Chairman? I don't know. Not
12 on the Commission, Mr. Edsforth tells me, but the
13 staff.

14 THE CHAIRMAN: Oh, yes, but that was the
15 comment made by these men. I was just trying to
16 find what validity it had.

17 MR. WRIGHT: That was the Winnipeg Board of
18 Trade, Mr. Chairman, and I think as the cross-
19 examination developed, I think there was more
20 behind that than was really indicated on the face
21 of it.

22 THE CHAIRMAN: Did we stop Mr. Stone before
23 he had completed---

24 MR. WRIGHT: No, that is all I have to ask
25 Mr. Stone.

26 THE CHAIRMAN: I think someone from the
27 Canadian Pacific Railway should speak more on
28 the question which has been submitted to this
29 Commission as to restriction and no restriction,
30 than is stated in paragraph 20:



1 "The Canadian Pacific Railway offers
2 "no objection to British-built ships."

3 As a matter of fact, doesn't the Canadian Pacific
4 Railway go further than that and oppose any
5 restriction to Canadian-built ships?

6 MR. WRIGHT: I just didn't understand that.
7 We say we do not oppose the admission of U. K.
8 shipping so long as they are subject to the
9 licensing and regulating provision.

10 THE CHAIRMAN: I think, altogether apart
11 from licensing or anything else, do you not
12 oppose any restriction which would limit Canadian
13 Pacific to Canadian-built ships only, because if
14 you do not you are going to have to change your
15 policy of building ships.

16 MR. WRIGHT: We do not advocate that any
17 restrictions be placed on the purchase of additional
18 tonnage.

19 THE CHAIRMAN: Then do you oppose it?

20 MR. WRIGHT: Well, I am not just clear we
21 are doing that.

22 THE CHAIRMAN: You are doing what now? I
23 am afraid I am not aware -- we seem to be at
24 cross-purposes.

25 MR. WRIGHT: Yes, I think so, Mr. Chairman.

26 THE CHAIRMAN: You do oppose a restriction
27 which would limit you to the purchase of Canadian
28 ships only do you?

29 MR. WRIGHT: We would oppose a restriction
30 limiting operators engaged in the coastal trade



1 to purchasing in Canada, yes, that is correct.

2 THE CHAIRMAN: Do you wish to question---

3 MR. WRIGHT: Now, Mr. Edsforth stepped down,
4 as you will recall, Mr. Chairman, to permit me to
5 put Mr. Stone on and perhaps Mr. Gerin-Lajoie
6 may have some questions to ask Mr. Edsforth.

7 THE CHAIRMAN: If counsel have questions for
8 either one of the witnesses.

9 MR. WRIGHT: Yes, they are both available.

10 THE CHAIRMAN: All right.

11 MR. GERIN-LAJOIE: Have you concluded your
12 presentation now?

13 MR. WRIGHT: Yes.

14 MR. CHARLES D. EDSFORTH, called

15 MR. GERIN-LAJOIE: Q. Mr. Edsforth, I should
16 like first to refer to the map filed as Exhibit
17 117 showing the wheatshed as it has been called.
18 Can you tell the Commission whether in your view
19 this wheatshed would move westward with that
20 lower cost of transportation on the Great Lakes
21 after the Seaway is completed?

22 A. Well, with a freighter it is a
23 difficult thing to say with any definiteness,
24 in this way, that in my view it will all depend
25 on what happens to the price of wheat in store
26 at Fort William as compared with Vancouver.
27 As I explained this morning, I think the producer
28 of the wheat is paid on the basis of the in-
29 store price at Fort William less the freight
30



1 rate. Now, if the cheaper transportation east of
2 Fort William as the result of the Seaway results
3 in a corresponding increase in the Fort William
4 price, then I would say, yes, wheat is likely to
5 move from what I might describe as the sea
6 territory on this exhibit into Fort William, but
7 if not I would not think so because it is after
8 all the return to the farmer that he is primarily
9 interested in.

10 Q. Do you think the shipment of wheat
11 from the producer or local elevators would be
12 decided entirely by the farmers and local people?

13 A. Well, no, of course under present
14 conditions it is by the Wheat Board, but presumably
15 the Wheat Board is interested in seeing that the
16 farmer gets the best possible return that he can
17 get.

18 Q. And you don't see how the line or
19 dividing line between east and west would move
20 west at present unless---

21 A. Well, unless there is something
22 reflected in what I might call the base prices
23 at Fort William, at least that is the way it
24 appears to me as I can see it.

25 Q. That's fine. Now, I should like to
26 refer to your Exhibit 119, the statement of
27 traffic which is likely to be exposed to
28 increased water competition resulting from the
29 building of the St. Lawrence Seaway. I should
30 like to make something clear, something which may



1 already appear, but you will tell the Commission.
2 This traffic which is mentioned here in Canadian
3 revenue on page 1 and 2 is also subject, is it not,
4 to competition from water transportation means?

5 A. Indeed it is, yes, and all that we
6 say is that the traffic which we have been handling
7 by rail is going to be subject to increased
8 competition.

9 Q. Now, I should like you to clarify this
10 a little bit and say what particular goods,
11 among those which you have listed there, that is,
12 in the first part of page 1, would be subject to
13 being carried by water. You refer here, of course,
14 in part to import traffic?

15 A. Yes.

16 Q. That is, goods coming from ocean
17 ships?

18 A. Yes.

19 Q. In Montreal?

20 A. In Montreal, that is right, coming
21 from off-shore points.

22 Q. And from Montreal they are being
23 shipped at present to a large extent/tenants
24 mentioned by your company?

25 A. Yes, that is so.

26 Q. And would you expect all that tonnage
27 to be subject to increased competition?

28 A. I expect it would all be subject to
29 increased competition, yes, but I do not say that
30 we would lose it all.



1 Q. No, but I say would it be all subject
2 to competition. What I have in mind is this. I
3 wonder if ships could carry these goods to all the
4 places you carry it?

5 A. Oh, no, not to the final destination,
6 certainly not. They could carry it only so far as
7 the ports, that is to say, Toronto or Hamilton or
8 Windsor or Chicago, Detroit, places like that.

9 THE CHAIRMAN: How far would it be effective
10 on shipments to Ottawa?

11 A. To Ottawa, sir, not at all, I shouldn't
12 think.

13 Q. That is Mr. Gerin-Lajoie's point.
14 There are some places where there is no carriage
15 at all by water which would compete with your
16 rail forwarding from Montreal?

17 A. That is right, and Ottawa would not
18 be included in our estimate here.

19 MR. GERIN-LAJOIE: Q. Shipments to Ottawa,
20 for instance, would be included in the number of
21 tons, and the revenue mentioned?

22 A. No, I don't think Ottawa would be.

23 THE CHAIRMAN: It says "In Ontario". Unless
24 you know more than is in the form, the return
25 merely uses the words "Points in Ontario".

26 A. Yes, I have the territory Buffalo
27 and the West as more or less drawing the dividing
28 line.

29 MR. GERIN-LAJOIE: Q. Do you know definitely
30 which places these figures include?



1 A. Well, I cannot give you all the
2 definite points, not every one of them.

3 Q. When I read "Points in Ontario and
4 in the United States, Buffalo and West", do the
5 points mean some points or all points? That is
6 what you don't know?

7 A. Well, it is all the points to which we
8 handle the traffic.

9 Q. That is right. Well, that is what I
10 mean, of course.

11 A. Yes.

12 Q. All points where you take care of the
13 traffic?

14 A. Yes, sir.

15 Q. Even those where water transportation
16 could not take care of the traffic?

17 A. Not directly.

18 Q. Now, all this tonnage and all these
19 goods mentioned in the first part of page 1
20 come from the Atlantic Ocean, from the other
21 side of the Atlantic?

22 A. Yes, that is right.

23 Q. Part of these goods would have to be
24 unloaded in Montreal anyway?

25 A. Oh, yes.

26 Q. For local consumption?

27 A. Montreal cargo and off-landing
28 distribution in Quebec, yes.

29 Q. And do you have any definite opinion
30 as to whether it would be more economical for



1 a ship to continue from Montreal to, let us say,
2 Toronto with half a load than to unload all of it
3 in Montreal?

4 A. Well, I think a good deal of that would
5 depend on how the ocean rates were running. If
6 the ocean rates were running high it may not pay
7 these people to come into the Great Lakes. It may
8 be better to discharge at Montreal and get a
9 quick turn around. On the other hand, it might
10 be well worth while to continue on.

11 Q. I have particularly in mind that quite
12 a number of these ships importing these goods would
13 not be U. K. registered but would just be foreign
14 registered ships and would not be in a position
15 to take some cargo in Montreal to complete the
16 unloaded cargo and bring it to Toronto?

17 A. That is right.

18 Q. So those ships have to carry just the
19 balance of the cargo to Toronto and other ports?

20 A. Yes.

21 Q. Up the St. Lawrence?

22 A. Whatever was left.

23 Q. That is what I wondered, if you
24 believe it would be economical for those ships
25 to do so and if it is freely permitted, this
26 additional competition which you have envisaged
27 here?

28 A. I think it would be economical depending
29 on conditions, and there is also another factor
30 too, depending on what export cargoes it might



1 have in sight to pick up. For instance, a ship
2 with import cargo from Montreal for Toronto might
3 have in sight a load of automobiles, let us say,
4 to move from Oshawa or from Windsor, export.
5 It might very well then pay them to handle their
6 import goods right up -- they are going anyhow.
7 They would not discharge at Montreal under those
8 conditions.

9 Q. Now, you explained this morning that
10 the fluctuations in the ocean shipping coming into
11 the St. Lawrence River, particularly Montreal,
12 imposed on your company the obligation to have
13 cars available in Montreal at any time to take
14 the shipments and carry them anywhere in Canada?

15 A. Yes, not only to have them available
16 at Montreal, but to have them available in our
17 yard to car inventory, in other words, to have
18 cars available so that we can catch them in
19 Montreal if we need them.

20 Q. Now, I wonder if, with the St. Lawrence
21 Seaway and the number of ships going further up
22 than Montreal as you yourself envisage, there
23 would not be a lesser need of having such
24 equipment available at all times, and wouldn't
25 that accordingly diminish your own costs?

26 A. There might be times when there was
27 plenty of shipping coming in, but if this shipping
28 did not choose to come in, then we would probably
29 be called upon to handle the traffic, and we
30 would have to have the equipment for it.



1 Q. You mean if the ships did not continue
2 from Montreal up?

3 A. If they did not choose to go for
4 their own reasons.

5 Q. But if the ships were to go up, as you
6 envisage in the first part of your statement, in
7 that case, if the pattern of trade developed that
8 way, you would not have such an important obligation
9 to have the equipment available?

10 A. If you could be sure it was going to
11 stay that way, but you can't be sure of that.

12 Q. I imagine that the pattern of trade
13 develops and does not change over night?

14 COMMISSIONER WICKWIRE: Wouldn't your
15 traffic department have a pretty good idea about
16 ocean rates?

17 A. That is true, Mr. Commissioner,
18 but they do change quite rapidly at times. There
19 are quite often sudden breaks in ocean rates.

20 Q. Are there ever any indications that
21 they are going to break?

22 A. Well, at times I think there are,
23 yes.

24 Q. In plenty of time for your traffic
25 department to have knowledge of it, to get that
26 information, and the department would order the
27 cars and have them in Montreal?

28 A. Yes, but not in time to order cars
29 built.

30 Q. No.



1 A. That takes a while.

2 MR. GERIN-LAJOIE: Q. Now, Mr. Edsforth,
3 I'm not quite sure if I understand you correctly
4 on one point. Did you say that elevators -- grain
5 elevators particularly -- may not be needed so
6 much in the future as transfer points?

7 A. Not so much as transfer points it would
8 appear because with the ability of the large
9 carriers to go directly to Montreal instead of
10 transferring as they do now, it would seem that
11 the necessity for transfer would not be so great.

12 Q. Are you talking of the lake carriers?

13 A. I am talking of the lake carriers,
14 and of course to some extent that is true if the
15 ocean carriers go to the Lakehead.

16 Q. I am talking of the lake carriers
17 first. I suppose you envisage the case of the
18 elevator as in points up from Montreal?

19 A. Yes, the transfer elevators.

20 Q. But I thought you had mentioned also
21 Montreal and Sorel and Trois-Rivieres elevators?

22 A. Apparently you would need increased
23 capacity there.

24 Q. Increased capacity?

25 A. Yes.

26 Q. From Montreal down the River?

27 A. Down the River.

28 Q. Not only as storage points but also
29 as transfer points?

30 A. Well, yes, as trans-shipping



1 elevators, as it were, from the Lake boat to
2 ocean boat.

3 Q. Now, if I look at your entire statement
4 (Exhibit 119), page 3, you arrive at a total
5 revenue of 35 million. I should like to compare
6 this figure with the total revenue of your company?

7 A. In 1953?

8 Q. For the same year, please. Would you
9 compare that figure of \$35,000,000 to the total
10 income of your company to see the relative
11 value of that figure?

12 A. Yes, you mean, of course, just the
13 freight revenue there, not our total income but
14 just the freight, is that what you want?

15 Q. Yes, the freight, please. That would
16 exclude passenger?

17 A. Passenger and mail and express and
18 miscellaneous matters that we get. Our gross
19 freight earnings for the year 1953 were \$391,076,701.

20 Q. And could you make the same
21 comparison with the tonnage which is two million
22 in round figures at page 3 of your statement?

23 A. Yes.

24 Q. What is the total tonnage?

25 A. Our total tonnage on revenue freight
26 for the year 1953 was 59,256,634.

27 Q. Now, the most important group of
28 tonnage which would be subject to increased
29 competition is the domestic traffic, is that
30 not right, according to your statement, Mr.



1 Edsforth?

2 A. Yes, in total of revenue, that is
3 right, the domestic traffic.

4 Q. If we consider first domestic traffic
5 between points in Eastern Canada, that is the first
6 part of page 2 of your statement?

7 A. Yes.

8 Q. The competition which you envisage
9 here is precisely coasting trade?

10 A. Yes, definitely.

11 Q. From Montreal mostly, also Trois-
12 Rivières and Quebec?

13 A. Yes.

14 Q. And up the St. Lawrence River?

15 A. Yes, and into the Great Lakes.

16 Q. And do you envisage mostly competition
17 from lakers, that is, more generally ships
18 engaged only in the coasting trade, or also from
19 ocean ships doing some coasting trade on the way
20 to the Lakes?

21 A. Well, I think that I envisage the
22 greatest increase in competition in that trade
23 from ocean ships engaging in that trade. We
24 already have the competition of lake package carriers
25 in that service now.

26 Q. Now, that competition from ocean ships
27 would be only from U. K. registered ships,
28 of course, not foreign ships, under present
29 legislation?

30 A. Under present legislation that is so.



1 Q. You won't have, I suppose, off hand
2 the proportion of incoming tonnage of ocean ships
3 which would be British or U. K. registered as
4 opposed to foreign registered?

5 A. No, I am sorry, I haven't that information.

6 THE CHAIRMAN: Throughout the whole of this
7 statement you have only dealt with the potential
8 competition of international traffic ships, haven't
9 you?

10 A. In all of Exhibit 3, sir?

11 Q. Yes.

12 A. No, not necessarily.

13 Q. I mean, when you went through it
14 this morning the only thing you mentioned was the
15 type of thing you just mentioned, the pick-up
16 of bulk.

17 A. Yes.

18 Q. Surely there is another potential
19 competitor that is perhaps as important or
20 more important. You mentioned that you already
21 had water competition?

22 A. Yes.

23 Q. But the water competition is by
24 little things that have only 14 feet draught?

25 A. Yes.

26 Q. Canada Steamship Lines alone have
27 four package freighters that they cannot take
28 down the canal?

29 A. Yes.

30 Q. That will be able to go down the



1 canal. Wouldn't that be a very serious
2 competition for the company?

3 A. They could, sir, depending on whether
4 they find it economical to do that. Now, I don't
5 know. It is a possibility, you are quite right.
6 That is so, that with the deeper channel their
7 package freighters will be able to operate on the
8 Great Lakes. Whether they will do so or not I
9 do not know.

10 MR. WRIGHT: I think he also mentioned the
11 inter-coastal too this morning.

12 THE CHAIRMAN: Well, that is down in British
13 Columbia.

14 MR. WRIGHT: Yes.

15 COMMISSIONER BELANGER: And the grain would
16 not be transferred at Georgian Bay ports?

17 A. Yes, that is international too, quite
18 right.

19 MR. GERIN-LAJOLIE: Q. Did you say as well
20 that the competition which you would -- not fear
21 more -- but which you would envisage to be
22 more serious, would be that of ocean ships and
23 not of ships engaged exclusively in coasting
24 trade?

25 A. That is where I see the big
26 potential increase in competition, yes.

27 Q. I should like to go to the end of
28 this statement, second part of page 2, regarding
29 your traffic between Eastern Canada and Western
30 Canada. That is the most important single



1 item of the four you have on this statement?

2 A. Yes.

3 Q. Which includes \$22 million?

4 A. Yes.

5 Q. And while not quite as large a tonnage
6 though?

7 A. No.

8 Q. The higher amount, is due, I suppose
9 to the longer run?

10 A. It is the long haul traffic, that is
11 right.

12 Q. Do you have any competition from that
13 source at present?

14 A. Oh, yes, we do.

15 Q. Ocean shipping from East to West?

16 A. A certain amount.

17 Q. And West to East, of course?

18 A. West to East. It has varied somewhat,
19 but there has been a regular inter-coastal
20 service, fairly regular schedule of sailings
21 for the last four or five years.

22 Q. We have had particularly the
23 Saguenay Terminals appearing before this
24 Commission?

25 A. Yes.

26 Q. And I don't have any figures in my
27 mind, but my recollection is that the most
28 important part of that company's traffic (and
29 I speak subject to correction) from East to
30 West quite apart from the traffic from inter-



1 mediate points?

2 A. Yes.

3 Q. Is for the Aluminim Company?

4 A. I think that is their primary purpose
5 all right, is to handle their own goods.

6 Q. And I wonder to what extent there is
7 really competition for your company in the fields
8 mentioned in your statement?

9 A. Well, they have been handling
10 general merchandise.

11 Q. At the top of page 3?

12 A. They have been handling general
13 merchandise, commercial service, from the
14 Eastern territory. I know a couple of years ago
15 they had quite a substantial movement of canned
16 goods. I think they are still handling some
17 but of course I don't know just what cargoes
18 they do handle.

19 Q. You don't have any figures as to
20 the tonnage of that cargo?

21 A. They won't give them to us, Mr.
22 Gerin-Lajoie.

23 Q. But as far as your company is con-
24 cerned you have quite a large amount of traffic
25 for that particular run?

26 A. Oh, yes.

27 Q. As appears from the bottom of
28 page 2 of your statement?

29 A. That is so. There is a lot of
30 traffic there.



1 Q. And if it is not economical for a
2 company, let us say, like the Saguenay Terminals
3 or any other company operating along the same
4 water route, to transport what you do actually
5 transport from the West Coast to the East Coast
6 or any port on the St. Lawrence River up to
7 Montreal, do you think it will be more economical
8 for a ship to do it further up than Montreal
9 after the Seaway is completed?

10 A. I do, indeed, because I think they
11 will have greater chance of picking up cargo.
12 There will be less transfer cost involved.
13 In other words, they would be able to go right
14 up to, let us say, a place like Leamington where
15 there is a pretty good dock.

16 Q. I am afraid I will have to ask you
17 where Leamington is.

18 A. Leamington, that is just south of
19 Windsor. I think it is on Lake Erie if my
20 geography is right. They could pick up canned
21 goods there, for example.

22 Q. I am trying to make my point clear.
23 Let us say you have some canned goods to be
24 shipped from British Columbia to Montreal?

25 A. Yes.

26 Q. Apparently at present it is more
27 economical to have it shipped for the greatest
28 quantity by rail than by water. Don't you
29 think it would be more expensive for a ship to
30 carry it as far as Windsor than to carry it as



1 far as Montreal, and that it would be less
2 expensive for the railway to carry it only to
3 Windsor than to Montreal?

4 A. Well, I don't think that necessarily
5 follows because with the chance of serving
6 additional ports there is a much better chance
7 of getting a full cargo and that makes your cost
8 of transportation lower.

9 Q. You take for granted that a company
10 like Saguenay Terminals does not carry full
11 cargo at present?

12 A. I don't know whether they do or not,
13 and I am not thinking only, of course, of
14 Saguenay Terminals. I think there will be other
15 people may find it desirable to get into the
16 business.

17 Q. Yes, at the present time you do not
18 know of any other company?

19 A. No, that is right, than Saguenay
20 Terminals. You say that with the increased
21 cargo it might become more economical. To say
22 that I suppose you have to take as granted that
23 the present Saguenay Terminals' ships do not
24 carry full cargo, otherwise if they do carry
25 full cargo they could not have a lower cost?

26 A. No.

27 Q. With the Seaway?

28 A. They may have full cargoes, I don't
29 know, with ships they are now operating, but
30 with the additional opportunities there is a



1 chance for more ships perhaps to go in and also
2 obtain full cargoes.

3 THE CHAIRMAN: Isn't there another feature --
4 lumber they are carrying?

5 A. Yes.

6 Q. They would be carrying in the district
7 where lumber is in the greatest demand, in the
8 industrial centres of Ontario?

9 A. Yes.

10 Q. Rather than Montreal and East where
11 there is not the demand for it?

12 A. Yes.

13 COMMISSIONER BELANGER: You would not have
14 to transfer it at Montreal?

15 A. That is certainly so, you are quite
16 right. As I said this morning, I think, in my
17 evidence, I envisage a great deal of increased
18 water activity or competition in the movement
19 of lumber because just as the Chairman says,
20 at the present time if it goes East by water
21 there has to be a trans-shipment at Montreal
22 or some point, and then an inland charge by
23 rail or by package freight or something, but
24 with the possibility of taking a full cargo,
25 unloading part of it in Montreal and then
26 going on up into the Lakes, there is certainly
27 going to be greater opportunity for chartering
28 full cargoes of lumber.

29 MR. GERIN-LAJOIE: Q. At the present,
30 if we can stay on the subject of lumber, the



1 lumber you take in British Columbia, you do take
2 it, I suppose, on the spote where it is cut?

3 A. Well, yes.

4 Q. As far as logs are concerned?

5 A. Well, where the lumber is sawn, you
6 see, and of course in British Columbia most of
7 that is on the watershed.

8 Q. It is?

9 A. Most of the big mills are on the water-
10 shed.

11 THE CHAIRMAN: What do you mean, the water-
12 shed? Do you mean the coastline?

13 A. On the coastline, sir, the big coast
14 mills, like at Port Alberni or Vancouver, New
15 Westminster all up the Frazer River. They are
16 situated there because a good deal of their
17 business is export.

18 Q. They are developed, of course, right
19 into the bush?

20 A. Into the bush, yes, there certainly
21 are.

22 Q. But the big ones are on the Coast,
23 do you mean?

24 A. There are many smaller mills in the
25 interior.

26 MR. GERIN-LAJOIE: Q. Would you please
27 look at the bottom of page 2 of your statement
28 and tell me how the regions or the departing
29 points and arriving points are determined for
30 arriving at the figures for tonnage and revenue



1 at the bottom of page 2? That is, the traffic
2 between East and West. Well, what is the West?

3 A. Port Arthur and West, you see; points
4 in Ontario, Port Arthur and West, Manitoba,
5 Saskatchewan and Alberta.

6 THE CHAIRMAN: Where is the 13 million?
7 Is that all of your revenue from that---

8 A. Yes.

9 Q. That is not the revenue attributable
10 only to the range which is matched by the water?

11 A. No, that is the total revenue.

12 Q. So that you could not possibly, even
13 if you had been cleaned out by the water, could
14 not lose 13 million?

15 A. No, we would not lose 13 million.
16 Even if we were cleaned out, how much of that
17 13 million, we would retain some of it. I think
18 as I said earlier, you probably would lose trucks,
19 I don't know how much of it.

20 MR. GERIN-LAJOIE: Q. Mr. Edsforth, here
21 again have you considered all points in these
22 figures or a number of points?

23 A. No, all of the points in this
24 Province.

25 Q. Where you have business?

26 A. Yes, because it would all be subject
27 to the same competition as far as it concerned---

28 COMMISSIONER WICKWIRE: Will there not be
29 increased economic activity in the whole St.
30 Lawrence, Great Lakes Basin area as the result



1 of the Seaway? Will it not act as a stimulus?

2 A. Yes.

3 Q. To development, and would not the
4 C. P. R. share in that stimulus?

5 A. We certainly want to share in it,
6 sir, and we expect to, and we do believe that
7 there will be increased economic activity, no
8 question about it. We are going to have that
9 anyway with or without the Seaway, but I think
10 the Seaway is going to accentuate it. We feel
11 that with the growth of Canada we have to grow
12 with it. We have to increase our plant, our
13 facilities, our ability to handle traffic, and
14 we say to do that we have got to retain our
15 share of the traffic or do the best we can to
16 retain it.

17 Q. I am suggesting to you that even if
18 you lose some of the traffic that is indicated
19 on your Exhibit 119, that you will, by that
20 increased economic activity in the whole area,
21 pick up other traffic. Is there any possibility
22 of that?

23 A. That is a possibility, Mr. Wickwire,
24 no question of it, but I think at the same time
25 we are also going to have to perhaps provide
26 additional facilities, additions to our plant,
27 to take care of the whole economic growth. To
28 do that we have got to keep our traffic and
29 keep an increasing share, increase the amount
30 of traffic, not just the same number of tons:



1 We have got to keep our proportion pretty well
2 in line.

3 MR. GERIN-LAJOIE: Q. Mr. Edsforth, if I
4 may refer to the bottom of page 2, you consider
5 there the traffic from Toronto to any point in
6 Alberta?

7 A. Yes, that is right.

8 Q. What competition do you envisage there,
9 inter-coastal or Great Lakes?

10 A. Toronto to Alberta, there might be some
11 inter-coastal competition depending how low the
12 rates may be on the inter-coastal service.

13 Q. And what point in Alberta it may be?

14 A. At what point in Alberta it may be.
15 Other than that it would be competition of water
16 to the Head of the Lakes.

17 Q. In other words, your figures in that
18 part of your statement include all your traffic
19 there?

20 A. Yes.

21 Q. Even that traffic/which you could
22 not possibly, from an economic standpoint,
23 be subject to competition from the water
24 transportation means?

25 A. Well, subject to competition by
26 water for a part of the haul, at least in
27 whole or in part, put it that way.

28 THE CHAIRMAN: For a very big part of it
29 too?

30 A. Yes, very big.



1 Q. One of the most expensive parts as
2 far as your haulage is concerned?

3 A. Yes.

4 Q. I take it you would be very glad to
5 make arrangements to have it all taken up the
6 water way than try to haul it through Northern
7 Ontario?

8 A. Yes, but we couldn't abandon our
9 lines very well, I don't think.

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1 MR. GERIN-LAJOIE: Q. Now, could you
2 clarify for me and for the Commission a number of
3 points to which you have referred regarding the
4 Railway Act. You referred, for instance, to
5 Section 33⁴ in connection with which you said that
6 rates to meet competition can be published on less
7 than three days' notice to meet emergency situations.
8 Could you give the Commission an idea of what type
9 of emergency situations are met there?

10 A. Well, it might be an emergency situation
11 such as that a rate had been put in by one railway
12 and the other railway had not been able to put it
13 in effective on the same date because they could
14 not get their tariff out in the same time. You
15 can put it in in short notice then.

16 I think if I might refer to the Board's
17 rules on that particular feature it might answer
18 it even better. You see, the Board of Transport
19 Commissioners issue what they call a tariff
20 circular, which are the rules by which we are
21 governed in filing tariffs and so forth. The
22 competitive rates comprising -- this is Rule 17,
23 Section 1, which I will just read a bit---

24 Q. I wouldn't like you to take too much
25 time on this point. But we would like an idea.

26 A. Well, we may put them in on short
27 notice to meet competition from a carrier not
28 subject to the Board's jurisdiction, but we have
29 to make a very clear case to the Board why it is
30 necessary to do it that quickly.



1 Q. Well, now, you referred also to
2 Section 349, saying -- and I quote, I believe,
3 more or less accurately -- "Special rate notices
4 may be issued to meet emergency situations or
5 for other reasons and may only be published
6 between non-competitive points."

7 A. Yes.

8 Q. What does "non-competitive points"
9 mean? Does it refer only to railways or also
10 to trucking?

11 A. No, it refers to railways. You see,
12 this is in the Railway Act, so it would only be
13 competitive with another railway.

14 Q. Between railway companies?

15 A. That's right.

16 Q. And the same would apply to Section 324
17 in connection with which you said that there are
18 special provisions respecting the publication and
19 filing of competitive rates?

20 A. That is 334.

21 Q. With respect to the other railways
22 there?

23 A. Those competitive rates, Mr. Lajoie,
24 they have reference to rates put in to meet the
25 competition of other types of carriers like trucks.

26 Q. Now, would you tell the Commission
27 whether your company has an agreement with
28 steamship companies for the furtherance of
29 freight from points like Montreal, let's say,
30 or other ports and the division of rates



1 accordingly?

2 A. Well, we have joint through rates with
3 the Canada Steamship Lines, for example, between
4 Eastern and Western Canada, yes.

5 Q. Between Eastern and Western Canada?

6 A. Yes, the Canada Steamship Lines to
7 Fort William and the C. P. R. beyond. We have joint
8 through rates there.

9 Q. You mean from Montreal?

10 A. Yes, from Montreal.

11 Q. That is westbound?

12 A. Westbound.

13 Q. Do you have similar types of agreements
14 eastbound?

15 A. We don't have so much eastbound,
16 Mr. Lajoie.

17 Q. From Montreal down the St. Lawrence?

18 A. Oh, you mean down the St. Lawrence?

19 Q. Yes.

20 A. Well, we have joint rates from Ontario,
21 Quebec, in fact all points west of Montreal to
22 Newfoundland; that is to St. John's and Corner
23 Brook only with the steamships operating out of
24 Montreal.

25 Q. Would you care to mention the companies?

26 A. The Clarke Steamship is one. I think
27 the Furness is another, Furness Red Cross. I
28 am not too sure of that one. We have joint
29 through rates with them.

30 Q. Now, regarding regulation, possibly you



1 can answer this question or, if you like, you may
2 ask the help of Mr. Stone. You have put quite a
3 case, if I may say so, in favour of regulation for
4 steamship companies, for ships generally. I wonder
5 if the railway companies at present don't have a
6 certain dislike for regulations of that sort and
7 if they would not like to be less subject to
8 regulations than what is suggested for the steamship
9 companies?

10 A. Well, Mr. Lajoie, that is a very wide
11 question. I don't think I am in a position to
12 answer it.

13 Q. I will put it simply, I am putting the
14 question to you personally, do you think that the
15 railway companies are not subjected to many
16 stringent regulations, shall I say, at present?

17 A. Well, there are certainly some things
18 in the regulations today that I don't like, of
19 course. I mentioned a couple of them this morning,
20 the statutory rates for one, and some of these
21 regulations dealing with competitive rates, that
22 I don't think are realistic.

23 THE CHAIRMAN: What is the difference between
24 a statutory rate, a rate that appears in a section
25 of an Act of Parliament, and a rate set by a
26 Board which is by an Act of Parliament authorized
27 to set the rate?

28 A. Well, the difference is this, sir, that
29 a rate set by the Board can be changed at any time
30 by the Board but a rate that is set forth in a



1 statute cannot be changed by the Board.

2 THE CHAIRMAN: Q. It can be changed by the
3 Board -- you feel that you have more influence with
4 the Board than with Parliament, is that it?

5 A. No, I wouldn't say that, sir. There is
6 this difference, that the Board can change one.
7 The other has to be done by Parliament. I don't
8 say as to where the influence lies.

9 Q. The one represents the legislative
10 policy of the Dominion of Canada?

11 A. Yes.

12 Q. That is why it is in effect?

13 A. Yes, one must assume so.

14 MR. GERIN-LAJOIE: Mr. Chairman, I have only
15 one or two other questions.

16 Q. Regarding the situation in the United
17 States, Mr. Stone has referred to this report of
18 a presidential advisory committee. Are you aware,
19 Mr. Edsforth, of any decline in the coasting trade
20 of the United States during, say, the last 25 years?

21 A. I have been informed that it is not as
22 strong as it was. I could not say with any degree
23 of certainty.

24 THE CHAIRMAN: That is not too strong a
25 statement, is it?

26 A. I am not too sure of it, so I could not
27 make it too strongly.

28 THE CHAIRMAN: I thought the generally
29 accepted situation was that it was a very sick
30 child indeed?



1 A. That is what I have heard but I could
2 not prove it, sir.

3 MR. GERIN-LAJOIE: Q. Do you think it is
4 possible that such a decline may be the result of
5 all sorts of restrictions, like the restriction
6 to American-built ships and other restrictions
7 or regulations maybe like those that are proposed
8 in the report of the Presidential Advisory
9 Committee? I am not referring to those in particular
10 but all sorts of regulations and restrictions?

11 A. Well, I don't know to what extent
12 restrictions have played their part. I don't think
13 rate regulation would. I don't see why it should.
14 It may be that the restriction to---

15 Q. Well, the rate restrictions, I suppose
16 you do propose them in Canada to have what you
17 call more fair competition between water and rail
18 transportation?

19 A. That's right, equality of responsibility.

20 Q. And that in turn, I suppose, would
21 give less transportation to steamship companies
22 as compared to what they have now or what they
23 would have otherwise after the Seaway is
24 completed?

25 A. I don't know whether that necessarily
26 follows except as far as the license goes. The
27 not
rate regulation should/have that effect.

28 Q. Well, rate regulation and licensing
29 together, I suppose, would be in your mind a
30 device for the purpose of giving a better chance



1 to the railways?

2 A. No, I think licensing is simply
3 designed to keep the thing in proper balance, as
4 it were. That is to say, without getting more
5 capacity in there than is economically sound.
6 But rate regulation is simply to provide a proper
7 guide for the freight rates and proper equality of
8 the different carriers to know what the other one
9 is doing.

10 Q. Actually, licensing with regard to capacity,
11 do you think there is any indication at present,
12 to your knowledge, that such regulation or such
13 licensing is necessary?

14 A. Under present conditions do you mean?

15 Q. Yes.

16 A. In what area do you mean?

17 Q. For bulk?

18 A. In any particular area?

19 Q. All the St. Lawrence and the Great
20 Lakes area.

21 A. Well, I think probably Mr. Stone could
22 answer that better than I could. I would think
23 that licensing is a desirable thing in any case
24 to prevent the thing from getting out of hand.

25 Q. All right. Those are all the questions
26 I have, Mr. Edsforth. Thank you very much. I
27 may have a couple of questions of Mr. Stone.

28 MR. WRIGHT: Mr. Chairman, may I ask Mr.
29 Edsforth one question, arising out of Mr. Hazen
30 Hansard's cross-examination with respect to this



1 so-called bridge subsidy?

2 THE CHAIRMAN: Yes.

3 MR. WRIGHT: Q. Was this asked for by the
4 railways, Mr. Edsforth?

5 A. No, definitely not.

6 - - - -

7
8
9 MR. F. V. STONE, called

10 MR. GERIN-LAJOIE: Q. Mr. Stone, I have only
11 one or two questions regarding this matter of
12 regulation. Do you feel there is any need for
13 licensing respecting capacity at present in bulk
14 cargo?

15 A. Well, the purpose of licensing, as I
16 said earlier, is to regulate capacity.

17 THE CHAIRMAN: Q. To harmonize the competition,
18 wasn't that it?

19 A. That's right.

20 Q. The two words do not seem to fit because
21 in competition there is an element of fight and
22 in harmony there is the opposite. So I cannot
23 quite understand what you mean by harmonizing
24 competition.

25 MR. WRIGHT: It is harmonizing competition
26 and regulation.

27 THE CHAIRMAN: Oh, I see. You harmonize the
28 two things. All right.

29 MR. WRIGHT: Yes, my lord.
30



1 A. In other words, try to get the best of
2 competition and regulation.

3 COMMISSIONER BELANGER: You are interested
4 in economy.

5 A. Interested in economy.

6 Q. And excess capacity is uneconomic?

7 A. That's right.

8 THE CHAIRMAN: . Very well, proceed, Mr.
9 Gerin-Lajoie.

10 MR. GERIN-LAJOIE: Q. My question is this,
11 do you think there is too much capacity at present?

12 A. In the Great Lakes?

13 Q. Yes.

14 A. I really could not say.

15 Q. So there should not be any regulating
16 of capacity if there is no over-capacity?

17 A. Regulation does not apply only to
18 excess capacity. It might apply to inadequate
19 capacity. In licensing you try to get the happy
20 medium.

21 Q. Well, Mr. Stone, unless we find -- by
22 "we", I mean the Government -- that there is a
23 lack or shortage of capacity or an over-capacity,
24 do you think there should be any regulation of
25 capacity?

26 A. You mean if it is going along very
27 satisfactorily now and the capacity seems to be
28 just right?

29 Q. Yes.

30 A. Why not leave well enough alone?



1 Q. That is the point.

2 A. Well, of course, it is not only the
3 Lake carriers who are involved in this situation;
4 there are other carriers. There are the railways
5 who are competing for the same traffic and---

6 Q. Yes, but---

7 MR. WRIGHT: May he finish that?

8 A. I appreciate, of course, that for certain
9 classes of traffic during the season of open
10 navigation the water carriers have an inherent
11 advantage. Let us say a cost advantage. But
12 nevertheless there is not any kind of traffic that
13 moves by water that cannot be moved by rail.
14 And the railways have a great deal of capacity and,
15 as Mr. Edsforth said this morning, there were times
16 in the past when the railways have handled large
17 quantities of grain from Fort William.

18 THE CHAIRMAN: Q. Well, then, perhaps we are
19 not improperly paraphrasing you. You say if there
20 is one bulk carrier on the Lakes it is excess
21 capacity?

22 A. Then of course you are ruling out the
23 concept of competition altogether.

24 Q. I don't think I'm doing it.

25 A. No.

26 MR. GERIN-LAJOIE: Q. Would the purpose of
27 regulation and licensing in your mind be to
28 regulate what capacity should exist of water
29 transportation in relation to rail transportation?

30 A. Yes, I think the regulatory authorities



1 would be involved in that question all right.

2 Q. And not leaving the usual competition
3 to determine what should be moved by water and what
4 should be moved by rail?

5 A. The regulatory authority would have to
6 keep in mind the objective, the overall objective,
7 of obtaining the required transportation at the
8 lowest possible cost, the required transportation
9 including adequate capacity to handle the traffic
10 that is available.

11 MR. GERIN-LAJOIE: Thank you very much.

12 THE CHAIRMAN: Mr. Hunt, do you wish to
13 examine any of the witnesses?

14 MR. HUNT: I have a few questions of Mr.
15 Edsforth, sir.

16 Q. I think you mentioned earlier that the
17 C. P. R. accepts freight on through bills of lading
18 from the Canadian mainland to Newfoundland.

19 MR. EDSFORTH: To St. John's and Corner Brook.

20 Q. I believe the C. P. R. instituted that
21 service prior to the C. N. R.?

22 A. Yes, prior to Confederation of
23 Newfoundland with Canada. And on the publication
24 of through rates by the Canadian National we
25 met those through rates to St. John's and Corner
26 Brook on the service via Montreal and steamship
27 lines.

28 Q. What year was that in?

29 A. That was in 1949, I think, sir.

30 MR. WRIGHT: What year did you say?



1 A. 1949, as I recall it.

2 MR. HUNT: Q. I believe in 1954 you instituted
3 a water competitive rate?

4 A. There were some water competitive rates
5 put in, Mr. Hunt. I haven't the detail of them but
6 I know there were some.

7 Q. What water competition were you afraid
8 of at the time?

9 A. I think we were meeting water competition
10 from a through water service from some of the Great
11 Lakes ports.

12 Q. Do you remember whether C. N. R. and
13 C. P. R. filed a reduced tariff together or whether
14 they did it independently of each other?

15 A. I think they were published as separate
16 tariffs, Mr. Hunt. I don't know whether they were
17 made effective on the same date or not.

18 Q. Were they the same?

19 A. The same rates?

20 Q. Yes.

21 A. Oh, I think so, to the points we reached,
22 just those two points.

23 Q. And how about the participating
24 steamships, were they the same steamships in the
25 case of the C. P. R. as in the case of the C. N. R.?

26 A. I'm not certain, but I think so.

27 Q. You think so?

28 A. I think so. I believe so.

29 Q. And were the divisions the same with
30 the C. N. R. as with the C. P. R.?



1 A. That I couldn't tell you.

2 Q. Were the freight rates charged during
3 the year 1954 an economic rate, would you say?

4 A. In the sense that they allowed something
5 over the cost of them?

6 Q. Yes.

7 A. I would certainly say so, otherwise we
8 wouldn't put them in if we didn't make something
9 more than it cost us to handle the traffic.

10 Q. The evidence now before the Commission
11 is that two British operators were carrying direct
12 shipments from the Lakes and were losing money,
13 while the railways who had trans-shipment at
14 Montreal to local Canadian ships presumably would
15 not make any more money than the British ships,
16 would they?

17 A. Well, I don't know. I don't know what
18 the British ships' costs would be, so I wouldn't
19 be in any position to compare them.

20 THE CHAIRMAN: Does anybody else wish to
21 examine this witness? Thank you very much.

22 ---Witness withdraws.

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24 - - - - -

25 THE CHAIRMAN: We will take five minutes.

26 ---A short recess.

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28 - - - - -

29 MR. MUNDELL: The next brief is that of the
30 Canadian National Railways, Mr. Chairman.



1 It is Brief Number 92. Mr. Lionel Cote is appearing.

2
3 SUBMISSION OF THE CANADIAN NATIONAL RAILWAYS

4 Represented by Mr. Lionel Cote.

5 THE CHAIRMAN: Yes, Mr. Cote?

6 MR. COTE: May it please the Commission,
7 when the Canadian National Railways introduced its
8 brief at the initial hearing in Ottawa there was
9 put on the record a number of questions which we
10 were asked to answer at a later hearing, pertaining
11 to certain statements contained in our brief.
12 This we are now prepared to do and also to deal
13 with other matters arising out of the brief and
14 out of the evidence given before the Commission
15 elsewhere in Canada.

16 I must say that, going through the evidence
17 given by the witnesses before the Commission,
18 particularly in the Maritime Provinces, there were
19 a lot of matters mentioned to the Commission
20 implicating the Canadian National Railways which
21 we do not feel we should answer here as we
22 consider that they do not come within the Terms
23 of Reference of the Commission. These matters,
24 I should say, pertain especially to the alleged
25 inadequacy of the Canadian National service to
26 Newfoundland. These matters, I should say, come
27 within the jurisdiction of the Board of Transport
28 Commissioners and should be dealt with by that
29 Board. We do not propose to use unnecessarily
30 the time of this Commission to meet these charges



1 here. But the fact that we do not answer them here
2 does not mean in any way that we admit that they
3 are either well founded or justified.

4 One of the questions that we were asked to
5 give particulars about was with respect to the
6 statement in the Canadian National Brief at Page 1
7 where we said that the Canadian National is
8 engaged in coastal services both in Pacific and
9 Atlantic waters. I would now offer as an exhibit
10 a list of the coastal ships that we have in service
11 both in the Atlantic and in the Pacific. This
12 exhibit gives the names of the ships, their
13 dimensions, and their tonnages, and their ports
14 of call. This I would now submit.

15 ---EXHIBIT NO. 120: List of Canadian National
16 ships in service in the
17 Atlantic and Pacific waters.

18 MR. COTE: In respect of our coastal services
19 in Atlantic waters and more particularly referring
20 to Newfoundland, I would like to offer as an
21 exhibit a timetable, Number 85, which gives on
22 page 90 the type of steamship services that we
23 provide during the summer season.

24 ---EXHIBIT NO. 121: Canadian National Timetable
25 No. 85. (Summer season)

26 MR. COTE: I would also like to file
27 Timetable Number 86 which gives the schedule of
28 steamship operations to Newfoundland and around
29 Newfoundland during the winter season from page 90
30 in the book.



1 ---EXHIBIT NO. 122: Canadian National Timetable
2 No. 86 (Winter season).

3 MR. COTE: I would also like to file as an
4 exhibit a Canadian National Railways System
5 timetable which, at page 69, gives the winter
6 service, coasting services in the Pacific waters
7 off the Pacific coast.

8 ---EXHIBIT NO. 123: Canadian National Railways
9 Timetable - coasting services
10 (Pacific), winter service.

11 MR. COTE: And now another timetable which
12 expired at the end of September, 1955, which
13 contains the coastal services during the summer
14 season in the Pacific Ocean. These services are
15 shown at page 69 of the timetable.

16 MR. MUNDELL: I should say that the second
17 last exhibit -- that was 123 -- well, I just
18 wanted to describe the timetable. It is that
19 of September 25, 1955, to April 28, 1956. Exhibit
20 No. 124 is entitled Canadian National Systems,
21 April 24, to September 24, 1955.

22 COMMISSIONER WICKWIRE: What page is it on?

23 MR. COTE: Page 69 in each case.

24 ---EXHIBIT NO. 124: Canadian National Railways
25 Timetable - coasting services
26 (Pacific), summer season.

27 MR. COTE: I must say, Mr. Chairman, should
28 there be further particulars required by the
29 Commission in respect of these coasting operations
30 we shall be pleased to furnish them to the
Commission.



1 I will now call on Mr. McDonald to give
2 evidence.

3 JAMES A. McDONALD, called

4 MR. COTE: Q. You are a graduate economist?

5 A. That's right.

6 Q. What is your present occupation?

7 A. Assistant to the Vice-President of the
8 Research and Development Department.
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1 Q. Of the Canadian National Railways?

2 A. Yes.

3 Q. Would you state briefly what are the
4 functions of that department?

5 A. The department is a service department
6 which carries on technical research and conducts
7 engineering and economic research into matters
8 affecting operations and policy matters relating to
9 the system generally.

10 Q. Now, Mr. McDonald, if you will turn to
11 the Canadian National brief at page 2, the second
12 last paragraph, it is stated there that failure to
13 establish such an environment, meaning the creation
14 of the rational and equitable competitive framework,
15 would have serious implications, not only for the
16 railways but also for the economy as a whole, having
17 regard to the degree to which rail carriers under-
18 write the national transportation market.

19 Would you please tell the Commission in greater
20 detail what is meant by that statement?

21 A. Well, the environment of which we speak
22 is one which will provide the conditions for a
23 vigorous and orderly competition within the domestic
24 transportation market and within the domestic
25 price structure. The statement you have quoted,
26 Mr. Cote, raises many of the points we have covered
27 in our main submission, and I propose to review the
28 several propositions on which that statement is
29 founded.

30 First, the railways are the predominant



1 carriers in Canada in the field of domestic trans-
2 portation. It is estimated in a recent study made
3 public by the Railway Association of Canada that in
4 1953 Canadian railways handled just over three-fifths
5 of the total freight tonnage carried by all forms of
6 commercial transportation, including water, highway,
7 pipeline and air carriers. Those calculations, I
8 might say, exclude the tonnage handled by farm
9 vehicles and by cartage vehicles within urban areas.

10 Considering further that the railways'
11 facilities are available in season and out to handle
12 virtually any type of shipping in any quantity and
13 that they provide year-round service to the vast
14 majority of population centres in Canada, it is a
15 fair generalization to say, as we have said, that
16 railway service underwrites the nation's transport
17 requirements.

18 Secondly, the Canadian National, which alone
19 serves all ten provinces of Canada, is the largest
20 rail carrier. In common with other railways the
21 Canadian National is competitive with water carriers
22 in the coasting trade. We have presented an
23 estimate which will be further explained by another
24 witness, showing that, with the completion of the
25 Seaway, some 38 means of traffic will become
26 vulnerable to water carriers. The implications
27 of this situation are important not only to the
28 Canadian National as such but to the nation
29 as a whole, having in mind the essentiality of
30 rail service, and the fact that essential rail



1 costs must somehow be met.

2 Thirdly, the circumstances under which rail
3 and water competition is carried on, are, therefore,
4 matters of importance to the national interest. From
5 the standpoint of the economy as a whole, there is a
6 need, as we see it, to establish a competitive framework
7 within which there is equality of opportunity for each
8 form of transportation to bid for traffic in a way
9 which will reflect its economic inherent advantages.

10 Fourthly, in this respect we have submitted
11 that the present framework is inadequate to meet
12 the circumstances which will emerge upon completion
13 of the Seaway, firstly, because the existing
14 regulations under the Transport Act are applicable
15 to only part of the coasting trade and, secondly,
16 because some water carriers do not operate within
17 the domestic price environment.

18 In respect of the first point, evidence has
19 already been given by witnesses appearing for the
20 Canadian Pacific explaining some of the handicaps
21 which are placed upon a regulated carrier in com-
22 petition with those that are not so regulated,
23 and we associate ourselves with what has been said
24 in that respect. These are the reasons, we feel,
25 that show why equality of treatment should be
26 achieved by the more general extension of existing
27 regulations to carriers in the coasting trade.

28 In respect of the second point, we have
29 explained in the main submission the inequity
30 which results from a situation in which British-



1 manned and British-built vessels can be employed
2 in the domestic trade without having to meet the
3 market conditions which confront the competing rail
4 carrier in hiring labour and buying capital equipment.

5 For all these reasons we consider it is
6 important to establish an equitable framework for
7 rail and water competition.

8 Q. Now, Mr. McDonald, if we turn to page 4
9 of the Canadian National submission, there is in the
10 very last sentence of that page a statement which
11 reads as follows:

12 "From the standpoint of Canada's
13 "national accounts, therefore, the apparent
14 "savings to be achieved by a diversion of
15 "traffic from rail to water carriers under
16 "these circumstances would be to a
17 "considerable degree illusory."

18 Would you please elaborate on that statement?

19 A. Well, the question of how much rail
20 traffic is going to be diverted from the Canadian
21 National to water carriers is directly related to
22 the question of whether the status quo is to be
23 continued in respect of the participation of
24 British-built and British-manned ships in the
25 coasting trade. Clearly if the British are able
26 to carry their cost advantages into competition
27 for domestic traffic which originates or terminates
28 in the Great Lakes- St. Lawrence area the loss
29 to the Canadian National Railways would be so much
30 greater. In these circumstances a calculation of



1 the tonnage diverted from the railway multiplied by
2 the difference in the respective rail and water rates
3 on that tonnage would yield an apparently substantial
4 saving in transportation costs to the shippers of
5 this particular traffic. It cannot be said, however,
6 that these savings would accrue to the nation
7 as a whole or, in terms of the national accounts,
8 we must reckon not simply in terms of cost to particular
9 shippers as reflected in the rates they pay but rather
10 in terms of the total cost of domestic transportation.
11 There will be a difference, we suggest. The savings
12 in the national accounts will be very appreciably
13 reduced by reason of the fact that when tonnage is
14 diverted from the railway it is not possible for the
15 railway to achieve a reduction in expenses proportionate
16 to the drop in the volume of business. It is a
17 characteristic of the railway business that overhead
18 costs are high relative to the total costs. Only
19 a small fraction of operating expenses can be
20 identified with a particular traffic movement. The
21 remaining costs are incurred jointly and in common
22 with other traffic. Experience has shown that under
23 the traffic density which we have experienced in
24 recent years, approximately 43 per cent of Canadian
25 National's total operating expenses are independent
26 of fluctuations in the volume of traffic in the
27 short term. That is within a year. The railway
28 must, of course, maintain its rolling stock, roadbed
29 and track structure in condition for year-round
30 operations, and cannot fully adjust expenses to



1 the seasonal loss of traffic to water carriers.

2 It follows, therefore, that when traffic is
3 diverted from the railway the traffic which remains
4 must carry a larger share of the common expenses.
5 This being so, the savings in transportation costs
6 to the economy as a whole are substantially less than
7 the apparent savings which do in fact accrue to
8 those shippers who divert their traffic from rail to
9 water carriers.

10 Q. But, Mr. McDonald, as I understand it,
11 Canadian National does not advocate that British-
12 built ships be excluded from participating in the
13 coast trading of Canada.

14 THE CHAIRMAN: They should never build it at all.

15 A. Build what, sir?

16 THE CHAIRMAN: The Seaway.

17 A. That is not Canadian National's position.

18 THE CHAIRMAN: Q. Well, it has sounded very
19 much like that to me in the last few minutes. Whether
20 it is diverted to a foreign ship or to a Canada
21 Steamship Lines ship, it is being diverted away
22 from the railway, and the railway's heavy overhead
23 expenses are continuing and there is that strain
24 on the national accounts?

25 A. It is so, sir. We have not denied,
26 of course, that there are savings from the Seaway.

27 Q. I would think it would have been
28 better that the two railways had campaigned
29 openly against the Seaway instead of waiting
30 until it is determined that it should be completed



1 and then making these representations now.

2 A. Well, the point of our submission is not
3 one of opposition to the completion of the St. Lawrence
4 Seaway.

5 Q. But you want to have the prices held up
6 on the St. Lawrence Seaway so that you are not
7 under cut and, therefore, we get no use whatsoever
8 for the thing we have put so many millions of dollars
9 into the building of.

10 A. If I may contest that, Mr. Chairman,
11 the point we have made is simply that the sort of
12 savings one would calculate by making a comparison
13 simply of the rates that are being charged on the one
14 hand by rail carriers now, and on the other hand,
15 by water carriers when the Seaway is completed,
16 that that saving is to be qualified by the fact
17 that railway expenses on this traffic are not in fact
18 fully variable.

19 Q. Having stated that, where does it lead
20 to?

21 A. We are only reporting our position as
22 it affects the issues before this Commission.

23 Q. These are recommendations. The
24 recommendations are for the elimination of the
25 competition of water carriers?

26 A. No, sir. That, again, is not our
27 position, and I would like to come to that point.

28 Q. Well, now, I perhaps spoke too soon,
29 but I spoke when it seemed to me that your attitude
30 was quite clear. I will listen and if I am wrong



1 why you have my apologies.

2 MR. COTE: Q. Now, the question, Mr. McDonald,
3 was as to the position taken by the Canadian National
4 in respect of the operation of British ships in the
5 coasting trade of Canada?

6 A. Well, our position is definitely not
7 that we have asked that British ships be barred from
8 the coasting trade. We have not asked that the
9 principle of no cabotage, which is now applicable
10 to air transport, should be applied to the Canadian
11 coasting trade. We have suggested that when British
12 vessels enter the domestic transportation market
13 they should also enter the domestic price
14 environment. This, incidentally, is not different
15 from the condition under which Canadian National
16 competes on our Grand Trunk Western Line within the
17 United States. We pay wages consistent with the
18 American wage scale, and if we bring in equipment
19 from Canada we are subject to duty. We expect that
20 British-manned and British-built vessels will
21 continue to play a part in the coasting trade,
22 and for the following reasons. In respect of the
23 duty to be paid on British-built ships, we do not
24 believe it should be prohibitive. The rate of
25 duty to be determined is one which, in our view,
26 as in the usual case must strike a rough average
27 between the range of shipbuilding costs in the
28 U.K. on the one hand and the range of costs in
29 Canada on the other.

30 In these circumstances, it can be expected



1 that the more efficient British shipyards will pre-
2 serve an advantage over some of the shipyards in
3 Canada. In particular, competition in respect of
4 the design of ships -- including facilities, operating
5 characteristics, etc. -- will not be restricted by
6 what we have proposed. I am saying that, for a
7 given sum of money, there is a qualitative difference
8 in the sort of ship you will get for it.

9 Secondly, in our recommendations provision
10 has been made for the payment of duty on a pro
11 rata basis. That is, on a pro rata time basis.
12 This arrangement will make it feasible for coastal
13 ship operators to make use of British ships in
14 peak traffic conditions, and in other instances
15 when, for any reason, Canadian vessels of the
16 appropriate type are not available at the right time
17 and price.

18 Again I might point to an analogy in that
19 Canadian railroads are allowed to use American
20 equipment for intra-Canadian traffic movement upon
21 the payment of duty on a time basis, and I will
22 make use of that again in the main peak traffic
23 situations.

24 Thirdly, we have not recommended that British-
25 built vessels must be registered in Canada. This
26 means that the British vessels need not conform
27 to the Canadian wage and price structure except
28 only so long as they are actually engaged in the
29 coasting trade. There is an advantage in being
30 able to employ vessels in both international and



1 domestic service. In fact, since the bulk of traf-
2 fic in the coasting trade is subject to the closed
3 season of navigation on the Great Lakes and St.
4 Lawrence System, this means that British vessels
5 can be operated for the balance of the year in inter-
6 national trade preserving thereby the advantages
7 they now have over vessels of Canadian registry in
8 respect of planning for international trade.

9 Fourthly, the Canadian National proposes that
10 British vessels built outside of Canada, but which
11 are engaged in the coasting trade at the time the
12 present legislation is amended, should be allowed to
13 operate without the payment of duty.

14 In this connection it is observed that the
15 particular amendment to the Canada Shipping Act,
16 Section 669, as we have proposed it on page 9 of
17 our main submission, does not fit our intention and
18 would have to be modified to make it clear that
19 duty would be payable only in respect of British
20 ships built outside of Canada which were not regular-
21 ly engaged in the coasting trade prior to a speci-
22 fied date.

23 Such an arrangement would provide a transi-
24 tion period measured by the time that must elapse
25 before the present ships have to be replaced.

26 THE CHAIRMAN: Q. Wait until I under-
27 stand that. That duty covers all British ships
28 presently engaged in the coasting trade, and when
29 I say presently I mean after this date, whether
30 they are of British registry or Canadian registry.



1 A. Yes, sir. It does not matter to our
2 proposals. The arrangement we have proposed, I
3 suggest, would facilitate the adjustment to the new
4 era which will follow the completion of the Seaway,
5 when one can expect the development of new patterns
6 in the flow of traffic, re-arrangements in sailing
7 routes and ports of call, and new type of vessels.

8 A fifth point in respect of British vessels
9 participating in the coasting trade relates to
10 Section 673 of the Canada Shipping Act. This is
11 the section which gives power to the Governor-in-
12 Council to make exceptions to the general application
13 of the Act.

14 The main submission of the Canadian National
15 was addressed essentially to the principles which
16 we consider should govern the competitive relation-
17 ship between rail and water carriers in the coasting
18 trade. We were not able, nor did we attempt, to
19 examine the effect of our proposals in each and
20 every situation that may be encountered in the coast-
21 ing trade. It is recognized that there may be
22 special conditions attached to the movement of
23 particular traffic for which the railways cannot,
24 in practice, compete. In such special conditions
25 the means existing under Section 673 for making
26 exception to the application of the Act as it is
27 now -- and this Section can be revised in accor-
28 dance with the proposals we have made.

29 For all these reasons given we feel British
30 ships can be a force in the coasting trade.



1 MR. COTE: Q. But as regards determination
2 of which British-built ship on a certain date may
3 be exempted from the duty, what body do you think
4 could make such a determination?

5 A. The Canadian Maritime Commission has
6 acted in a similar capacity, and it may be considered
7 in an advisory capacity in the future.

8 Q. A similar capacity in what respect;
9 in respect to what sort of service?

10 A. In respect to the matter of exemptions.

11 Q. The exemption refers to the power
12 given to the Governor-in-Council under the Transport
13 Act to exempt foreign flags, for instance, from
14 the operation of the Act in the transportation ser-
15 vices on the Great Lakes.

16 A. That is correct. If I may read from
17 the seventh report of the Canadian Maritime Commis-
18 sion which has, I think, a bearing on this point.
19 I read from page 16:

20 "The Commission has continued to ad-
21 "vise the Department of National Revenue
22 "upon applications for the suspension of
23 "Canadian coastal laws to permit the tempor-
24 "ary operation of foreign flag or foreign-
25 "built ships in the Canadian coasting
26 "trade".

27 Q. Now, in the submission made in the
28 brief, Mr. McDonald, at page 10, there was a sug-
29 gestion there that in the determination of war
30 prizes, that prize of war vessels should be



1 promoted from the classification of British-built
2 to a foreign-built British ship. Would you have
3 some further comments to offer in respect to that
4 point.

5 A. Well, the Act as it now stands, of
6 course, places vessels of that sort in the same cate-
7 gory as British-built ships and we would have no
8 objection is this treatment were continued.

9 Q. Would you explain to the Commission,
10 Mr. McDonald, why the Canadian National has recom-
11 mended the extension of existing regulation under
12 the Transport Act to include vessels of 100 gross
13 tons instead of 500 gross tons as exists now in the
14 Act?

15 A. Yes. This recommendation stems from
16 the general principle that unless there are compel-
17 ling reasons to the contrary, all carriers should
18 be on an equal footing in respect of regulation.
19 This is a matter not only of equity in the relations
20 between carriers, and viz-a-viz the shipping public,
21 but it is also of economic significance insofar as
22 it affects the competitive advantages of the differ-
23 ent carriers, which in turn has a bearing on the
24 allocation of traffic in such a way as to minimize
25 the costs.

26 Speaking to the case in point, there would
27 seem to be two reasons which would justify the
28 existence of vessels in the lower range of capa-
29 city: first, because their operations may not be
30 commercially significant, and, secondly, because



1 it may be impractical for some reason to administer
2 the regulations.

3 On the first point we have suggested that
4 the operations of vessels of less than 500 gross tons
5 down to, say, 100 gross tons are in fact commercially
6 significant.

7 As a general index of this, the ceiling state-
8 ment that is provided in the list of shipping issued
9 by the Department of Transport shows that at the
10 end of 1954 there were 1,895 vessels registered be-
11 tween 100 and 500 gross tons, and those vessels
12 account for roughly 20 percent of the total net ton-
13 nage registered in Canada. It can be taken that
14 very few of these would be engaged in other than
15 coasting trade.

16 THE CHAIRMAN: Q. What about fishing?

17 A. I have submitted, generally, sir, there
18 because you -- what I meant to say was ---

19 Q. Does that registration include fish
20 boats?

21 A. I believe it does, sir.

22 Q. I suggest to you it would probably
23 carry the complete fishing boats.

24 A. It might do that, sir. My point was
25 that it is the only index we can provide by way
26 of ---

27 Q. If that is so, then your 20 percent
28 feature comes right down to a very small fraction.

29 A. Yes, sir. There is another qualifi-
30 cation that applies that I have not mentioned. It



1 is also true some of these are operating in the
2 international trade. The biggest tonnage are al-
3 most -- above that 500 tons -- are the ones operating
4 in international trade. This is the only accrued
5 index. There has been evidence adduced to the
6 Commission in considerable detail as to what those
7 vessels are under 500 tons, and it was brought for-
8 ward in evidence yesterday that the Canada Steamship
9 Lines was able to secure an exemption issued under
10 Order-in-Council P.C. 2442, which varies the require-
11 ment of the Act, and the reason for this was that
12 they were competing with schooners that were said
13 to be between 200, 300 or 350 tons.

14 It does not follow, of course, that vessels
15 of this type, I will say between 100 and 500 tons
16 gross -- it does not follow that vessels of this
17 type are all competitive with the services operated
18 by the railway. In some cases the competition is
19 direct, in other cases indirect, and in many cases
20 they are not competitive at all.

21 Q. I thought you said that 100 tons was
22 not covered?

23 A. Sir, I intend to deal with that
24 particular point.

25 Q. All right.

26 A. To the extent that they are not
27 competitive, then the Canadian National's interest
28 is a secondary one. It may be observed, however,
29 that the absence of competition has, at least in
30 the case of the railroads, been held to constitute



1 grounds for imposing regulation to protect the
2 interest of shippers who have no other choice.

3 This is the situation now in respect to water
4 transport on the McKenzie River, where regulation
5 is imposed on vessels down to 10 tons.

6 The second point in relation to exemptions
7 has to do with the practicality of administering
8 regulations. We have suggested that from this
9 standpoint, exemptions should apply to vessels of
10 less than 100 tons gross, and this we consider is a
11 reasonable approximation to reality. However,
12 recognizing that these are matters of degree and
13 that it is difficult to define exemptions that may
14 be justified in all the varied circumstances of the
15 coasting trade, we suggest that the present Section
16 12, subsection 2, of the Transport Act, which
17 authorized the Governor-in-Council to exempt any
18 ships or class of ships from the operation of the
19 Act should be amended to provide that the Governor-
20 in-Council may do so upon recommendation of the
21 Board of Transport Commissioners.

22 The Board of Transport Commissioners is pre-
23 sumably in the best position to say whether or not
24 it is practicable to administer the regulations
25 in specific cases, and they are also able to form
26 a judgment as to whether the interests of competing
27 carriers or of the shipping public are such as to
28 warrant the extension of regulations in the margin-
29 al case. In forming this judgment, the Board
30 is in the position to act as a forum where all



1 interested parties can have their day in court.

2 MR. COTE: Q. I presume that there is some
3 machinery for extending these powers to the Board
4 of Transport Commissioners. You envisage that
5 the Board will proceed in the ordinary manner and,
6 when receiving an application for exemption under the
7 Act, that other interested carriers would be notified
8 and would have their say before the Board takes a
9 position and makes a recommendation to the Governor-
10 in-Council?

11 A. Yes, it would be, of course, at the
12 discretion of the Board whether in fact they wanted
13 to call public hearings.

14 COMMISSIONER WICKWIRE: Q. There would be
15 a lot of days in court, would there not, Mr.
16 McDonald? Would you agree with that?

17 A. Yes, I would agree with that. In the
18 first instance there may be, but at least you are
19 providing machinery for dealing with each case on its
20 merits, and if it causes extensive proceedings, at
21 least we are heading in the right direction.

22 MR. COTE: Q. Now, Mr. McDonald, in the sub-
23 mission there was a recommendation that the defini-
24 tion of bulk traffic in the Transport Act should
25 be amended. Would you tell the Commission what
26 is the reasoning for this recommendation?

27 A. Well, this is again in keeping with
28 the principle that competing carriers should be
29 put in the position of equality in respect to being
30 subject to regulation.



1 Under the definition now provided in the Act,
2 some of the traffic defined as bulk is competitive
3 as between rail and water carriers. Some instances
4 have already been cited, iron and steel scrap, pulp-
5 wood, bag flour, pig iron and things of that sort.

6 It is true that where traffic moves undiffer-
7 entiated in shipload lots in vessels specially de-
8 signed for the traffic, that the cost of transporta-
9 tion may lie below the effective range of rail
10 competition, and we have attempted in our main sub-
11 mission to define such non-competitive situations,
12 and we were prepared to have them exempted from
13 regulation.

14 However, it is recognized that it is diffi-
15 cult, it may even be impracticable, to define these
16 cases unambiguously in legislation. Moreover, even
17 where there is a substantial differential in compara-
18 tive costs, the traffic may still be said to be
19 competitive since the question arises whether it is
20 worth stockpiling the commodities in question dur-
21 ing the closed season of navigation and, of course,
22 there are frequently alternative routes by rail
23 and water that are competitive with the direct all-
24 water route.

25 All things considered, the practical course
26 may well be to avoid any attempt to define goods
27 in bulk in the Act and to bring all carriers of
28 such traffic within the scope of regulation.

29 Once again, the Act contains a method of
30 relief for those cases where for any reason it



1 can be shown that an exemption should be given, and
2 we have already suggested in this respect the Board
3 of Transport Commissioners should act in an advisory
4 capacity to the Governor-in-Council.

5 Q. So this is the method that you would
6 now suggest instead of a restricting definition of
7 bulk goods; you would like to have all the bulk
8 carriers subject to regulation and then leave it
9 to the Board again in special circumstances to deal
10 with each case on its merits?

11 A. Yes, sir, and in view of Commissioner
12 Wickwire's comments, it is possible justice would be
13 slow, but justice may be sure.

14 Q. I understand initially to classify all
15 ships, those who should be exempted and those who
16 should not, it may take a little time, but once that
17 classification has been made there should not be so
18 many cases before the Board.

19 THE CHAIRMAN: Q. You could not restrict
20 the numbers of the members of the Board of Transport
21 Commissioners because they would have to sit in
22 shifts.

23 MR. COTE: Perhaps they do so, Mr. Chairman.
24 In the cases that come before the Board they may
25 sit in different shifts. That is all for you,
26 Mr. McDonald.

27
28 THE CHAIRMAN: Are there other witnesses?

29 MR. COTE: Yes, there is another one.

30 THE CHAIRMAN: Well, gentlemen, what course



1 do you wish to pursue?

2 MR. MUNDELL: I would think, Mr. Chairman,
3 it would be better to deal with the other witness
4 first, and then we would have either witness to ex-
5 amine.

6 MR. COTE: The two witnesses deal with mat-
7 ters which are entirely differently, of course.

8 THE CHAIRMAN: I think we may just as well
9 follow the former procedure.

10 MR. COTE: As you wish.

11
12 CHARLES LESLIE McCOY, called.

13
14 MR. COTE: Q. Mr. McCoy, what is your
15 occupation?

16 A. Assistant General Freight Traffic Mana-
17 ger of the Canadian National Railways, Canadian
18 Lines Jurisdiction, Headquarters, Montreal.

19 Q. For how many years have you been con-
20 nected with the freight traffic department of the
21 Canadian National?

22 A. 35 years, sir, since February, 1920.

23 Q. With which particular branch of the
24 freight traffic do you deal?

25 A. Well, I have spent the major portion
26 of my time in the construction of freight rates
27 and what flows therefrom. I have, of course,
28 been connected with the sales and service end of
29 it, particularly in the Atlantic region where I
30 was Traffic Manager for a short time. In addition



1 to that I had a certain amount to do with the sales
2 and service when I was Chief Clerk to the General
3 Freight Agent and Chief Clerk to the General Freight
4 Traffic Manager in Montreal.

5 However, I will say that the bulk of my time
6 has been in the freight rate end of the traffic de-
7 partment.

8 Q. Have you, since the end of the last
9 war, been connected in any way with Royal Commissions
10 which have been investigating transportation freight
11 charges and agreed charges?

12 A. Yes, sir. I sat in on the hearing of
13 the Royal Commission on Transportation in 1951 in
14 Eastern Canada here, as well as the bulk of the hear-
15 ing at Ottawa. I did not appear as a witness on
16 that Commission.

17 However, in the last Commission dealing with
18 agreed charges, the report came out in 1955. I did
19 attend there as a Canadian National witness.

20 Q. Coming to the Canadian National brief,
21 Mr. McCoy, at page 2, there was an estimate there
22 that the Canadian National Railway, with the advent
23 of the Seaway, would have about \$38,000,000 of its
24 traffic exposed to water competition. I under-
25 stand you have prepared a statement giving the par-
26 ticulars of that estimate?

27 A. Yes, sir.

28 Q. Would you fill that as an exhibit?

29 THE CHAIRMAN: Exhibit 125.
30



1 ---EXHIBIT NO. 125: Estimate by C.N.R. showing
2 estimated traffic exposed to
3 water competition.

4 MR. MUNDELL: That is entitled "Canadian
5 National Railways Statement Showing Number of Tons
6 and Revenue on Traffic that will Come Within the
7 Scope of Increased Water Competition with the Com-
8 pletion of the St. Lawrence Waterway".

9 MR. COTE: Q. Would you explain to the
10 Commission how this estimate was made up?

11 A. This exhibit is a statement showing
12 the number of tons and revenue on traffic that will
13 come within the scope of increased water competition
14 with the completion of the St. Lawrence Seaway. It
15 has been compiled on the basis of traffic which was
16 handled by the Canadian National Railways during the
17 year of 1953, which year is considered to be more
18 truly representative of the traffic flow than was
19 the year 1954.

20 The descriptions of this traffic are segre-
21 gated as between the several general categories,
22 and indicate that the revenue considered exposed to
23 loss under this competition will be \$9,500,000 on
24 export grain to Eastern ports, \$2,020,000 on export
25 traffic other than grain; \$2,320,000 on import
26 traffic; and a total of \$24,248,000 on domestic
27 traffic.

28 These total, in all, \$38,000,000 as repre-
29 sentative of the revenue we received during the
30 year 1953 on traffic which was vulnerable to the
new Seaway competition.



1 I would like to say it is true that the
2 extent of this competition may today be termed poten-
3 tial, and the actual loss of revenue be a matter of
4 degree. The traffic enumerated, however, is all
5 vulnerable to the Seaway competition, and the factor
6 of degree qualified only by the fact that we may
7 lose all or any portion of it.

8 Furthermore, if all is not lost, the balance
9 of the traffic which may be retained by the railways
10 will undoubtedly have to be retained to the rail
11 lines at reduced rates. In this latter respect,
12 it is very likely that the rates required to retain
13 a large portion of that traffic to the rail lines
14 would be so low that the railways would be unable to
15 handle the movements at those levels, and have to
16 step aside and allow the traffic to go by vessel.

17 Irrespective of this fact, this traffic, em-
18 bodying a total estimated revenue loss of \$38,000,000,
19 is actually traffic that will be exposed to the Sea-
20 way competition, and is an estimate which, in our
21 concerted opinion, can err only by being too con-
22 servative.

23 Q. Well, in that proposal, with the ad-
24 vent of the Seaway you are anticipating reduction
25 in the water rate, leaving aside the question of
26 British ships operating in the coasting trade.

27 A. Yes, sir. We would expect that.

28 Q. If we take, for instance, the ques-
29 tion of grain traffic, where would be the saving
30 achieved by the advent of the Seaway?



1 A. Well, it would be where there were
2 transfers at Lake ports. In fact, you may find the
3 small movements right there not even transferring to
4 the St. Lawrence River ports.

5 Q. In looking at your exhibit, which is
6 No. 125, I see that one of the important items of
7 revenue which will become vulnerable to water com-
8 petition is that pertaining to the movement of
9 grain.

10 A. Yes, sir.

11 Q. There has already been something said
12 this morning in evidence in respect to the movement
13 of grain by rail. Would you add your own comments
14 pertaining especially to the movement of grain via
15 the Canadian National lines?

16 A. In the transportation of Western Canad-
17 ian grain crops, the general picture of the railways
18 is a rather involved one but, in order that the
19 Commission may have a general knowledge of the rail
20 carriers' position, I believe the following may be
21 of assistance.

22 The grain first reaches the railways at
23 country elevator points in Western Canada.

24 There are three major rail outlets from the
25 West; first, that to Port Arthur and Fort William;
26 second, that to the British Columbia coast ports
27 of Vancouver, New Westminster, Victoria and Prince
28 Rupert; and third, Churchill, Manitoba.

29 Dealing first with the movement via British
30 Columbia coast ports and Churchill, Manitoba, I



1 have had prepared and submit an exhibit showing move-
2 ments via the Canadian National Railways during the
3 calendar years 1953 and 1954, as well as the traffic
4 we handled for the first 8 months of 1955.

5 Q. Between which ports?

6 A. This is generally the number of bushels
7 of export and bulk grain unloaded ex-Canadian Nation-
8 al Railways at British Columbia and Churchill,
9 Manitoba.

10 Q. Would you file a copy of that state-
11 ment as an exhibit before the Commission?

12 A. Yes.

13 THE CHAIRMAN: Exhibit 126.

14
15 ---EXHIBIT NO. 126: Statement filed by C.N.R.
16 re number of bushels of export
17 bulk grain unloaded at B.C.
18 and Churchill, Manitoba.
19
20
21
22
23
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1 Q. This exhibit, as I see it, shows
2 for each respective year the grain carried by
3 rail in each month of the year?

4 A. That is correct, sir. Taking New
5 Westminster at the left in the top of page 1,
6 it will be noted we have shown the rail movements
7 by months and the total for the year 1953 is
8 4,977,363. We also, of course, have shown for
9 the year 1954 and eight months in the current
10 year. The same remarks are true in respect of
11 Prince Rupert, Vancouver, Victoria, and at the
12 lower right we have shown Churchill, Manitoba
13 movements.

14 Now, with respect to Churchill it will
15 be noted in 1953 there were 11,252,847 bushels;
16 in 1954 12,615,928 bushels; and for this year
17 1955 we only show movements for the months
18 of July and August. I might state that I was
19 informed late last evening that this year we
20 have had 38 ships out of Churchill and the
21 movement slightly in excess of 13 million
22 bushels, in other words, probably 500,000 or
23 600,000 bushels increase this year over 1954.

24 Q. Is that traffic through Churchill
25 likely to be affected by the construction of
26 the St. Lawrence Seaway?

27 A. Well, I would not want to make a
28 firm statement on anything dealing with the
29 grain trade. Anything can happen in the grain
30 trade. It will be a question, as I see it,



1 of ocean rates.

2 Q. Ocean rates?

3 A. Yes, I wouldn't want to make a firm
4 statement on that. Ordinarily I would say yes,
5 but in connection with grain it is rather a
6 touchy problem.

7 Q. Would there be any special reason why
8 there is a blank for the months of March and April
9 1953?

10 A. That is, sir, to---

11 Q. To New Westminster?

12 A. Not that I can recall, unless possibly
13 it was during the time there was a strike at
14 the Coast. I cannot be too sure on that
15 statement. I recall I was out in Vancouver,
16 I think, in the Spring of 1953 and there were
17 several ships tied up in the harbour.

18 Q. And Victoria, it would appear, in
19 the months of January and February?

20 A. I think the Victoria situation is
21 probably somewhat different than Vancouver.
22 For example, you notice the total quantity
23 at Vancouver is 42 million as against only
24 3,492,000-odd.

25 THE CHAIRMAN: Why in the world would
26 anyone take export grain over to Victoria?
27 You have to ship it across first?

28 A. Yes.

29 Q. To put it in the elevator?

30 A. At Ogden Point.



1 Q. Then go out on an ocean freighter
2 after that?

3 A. Yes.

4 Q. Do you want storage space, is that it?

5 A. No, sir, I have not familiarized
6 myself with what has transpired in respect to
7 the movement of grain to Victoria, but I do know
8 that there were several complaints and vigorous
9 applications to the Canadian National to provide
10 export rates on grain via Victoria as well as
11 via Vancouver, and we have an elevator located
12 at Ogden Point.

13 Q. Yes, I saw that.

14 COMMISSIONER WICKWIRE: How many extra
15 handlings does that entail, just two?

16 A. Well, sir, we have to put the cars
17 on the barge.

18 Q. Four?

19 A. And back again, take them off at
20 Ogden Point. It would be four to get them
21 back on the mainland, that is correct.

22 THE CHAIRMAN: They go across on these
23 car ferries?

24 A. Yes, sir, car barges.

25 MR. COTE: Q. Now, this is the statement
26 pertaining to the export grain through the West.
27 Have you another statement pertaining to
28 movement of grain through other ports of exit?

29 A. Yes, I have an exhibit showing
30 the number of bushels of Canadian bulk grain



1 handled by the Canadian National Railways from
2 Canadian lake, bay and river ports to Eastern
3 Canadian ports for export.

4 Q. Would you file a copy of that statement?

5 ---EXHIBIT NO. 127: Statement showing number of
6 bushels of Canadian bulk
7 grain handled by C. N. R.
8 from Canadian lake, bay and
river ports to Eastern Canadian
ports for export.

9 A. In explanation of that particular
10 exhibit, there are three methods of handling grain
11 from the Canadian Lakehead. First, from the
12 Head of the Lakes to bay, lake and river ports
13 by vessel, thence rail. Second, Head of the Lakes
14 to Montreal, Quebec, Sorel and Trois-Rivieres
15 direct by vessel. Third, Head of the Lakes to
16 ports such as Prescott, Kingston and Port
17 Colbourne where grain is trans-shipped from
18 lake vessels to canal vessels for movements
19 to St. Lawrence River ports for export.

20 The Exhibit covers the movements for
21 the calendar year 1953 and 1954 as well as the
22 first eight months of 1955. As the exhibit
23 is made up in somewhat similar form to the
24 previous exhibit I do not think any further
25 explanation is necessary, except that on page 2
26 of the exhibit it will be observed that we have
27 shown the kinds of grain handled for the year
28 1953, and it will be observed that wheat
29 comprises approximately 41 million bushels
30 as against a total of approximately 43 million



1 bushels. Those figures will be found at the
2 extreme right at the bottom of page 2 of the
3 exhibit.

4 MR. COTE: Q. Would you say that generally
5 the railway transports more grain during the
6 winter months that it does during the open season
7 of navigation?

8 A. Yes, sir, that is the general picture.
9 In fact, in addition to the water movements of
10 grain, we also participate to a certain extent
11 in movement of bulk grain via all-rail routes
12 from the Canadian Head of the Lakes to Eastern
13 Ports. To illustrate that situation I have
14 had prepared a further exhibit showing
15 particulars for the years 1953 and 1954 and
16 for the first eight months in 1955.

17 Q. That is all-rail from the Head of the
18 Lakes to the Eastern Canadian ports for export?

19 A. Yes, sir.

20 Q. Would you file a copy of that
21 statement?

22 ---EXHIBIT NO. 128: Statement headed "Number of
23 bushels of Canadian bulk grain
24 handled by C. N. R., all-rail,
25 from Head of Lakes to Eastern
Canadian ports for export."

26 A. By referring to this exhibit it will
27 be noted that in so far as the ports of Halifax
28 and Saint John are concerned, our movement, as I
29 previously stated, takes place primarily during
30 the winter months. In further explanation, I



1 think it is only correct to state that winter
2 movement of grain all-rail from the Canadian
3 Lakehead, is primarily due to the keen demand,
4 emergency situations, and perhaps the lack of
5 certain grades of grain in position at Eastern
6 elevators.

7 Q. Because normally the grain you would
8 carry to the Eastern Seaboard for export would
9 be taken from closer than the Head of the Lakes?

10 A. Yes, it would be in position.

11 THE CHAIRMAN: On Exhibit 127, what is the
12 reason why in both the Atlantic ports, Halifax
13 and Saint John they show very large increases in
14 1955, particularly Halifax?

15 A. I think, sir, that was a question of
16 getting grain for storage, that is my understanding,
17 getting a storage place for the grain.

18 COMMISSIONER WICKWIRE: I think, Mr. Chairman,
19 storage facilities were doubled just about that
20 time.

21 THE CHAIRMAN: Oh, yes, that is true, the
22 elevator had just been opened a very short time
23 before.

24 A. I haven't seen the running records,
25 but I also understand they handled some in the
26 last short while through Halifax. I haven't
27 seen the details of that as yet. In other words,
28 they are trying to store grain anywhere they
29 can locate space. In fact we have some at a
30 place called Lakefield, Ontario in an old cement



1 pal
2 plant.

3 I would like to point out that I have only
4 dealt with the movements of Canadian grain in so
5 far as the Canadian National is concerned via
6 Eastern Canadian ports. In addition there are
7 certain movements via United States ports such
8 as Portland, Boston and New York, in which the
9 Canadian lines participate from bay, lake and
10 river ports. However, these movements are not
11 large in themselves, and I have not felt it
12 essential that they be included in my exhibits.

13 I would also like to state there are, in
14 rare instances, small movements of grain moving
15 all-rail direct from origins in interior
16 Western Canada without trans-shipment at the
17 Lakehead, through to Eastern ports. Such
18 movements are very small, in fact, in 1954
19 they comprised about 20,000 bushels.

20 Canadian railways also participate to
21 some extent in United States grain which may
22 move all-rail, or through bay, lake and river
23 ports. During the past few years, our
24 participation in this traffic has not been
25 extensive; in fact, in so far as The Canadian
26 National Railways are concerned, the principal
27 movement has been all-rail to Portland, Maine,
28 and handled through our own elevator located
29 at that port.

30 There is a fairly large crop of what is



1 known as soft winter wheat, as well as soya beans
2 grown in Southwestern Ontario. In the past,
3 export movements have taken place via Eastern Canadian
4 ports; in fact, for the year 1953 we handled
5 slightly over a million bushels from ports of
6 export Montreal, Saint John and Halifax. In
7 1954 and up to the end of August this year, there
8 were movements via only Montreal and Saint John
9 for account of the Canadian National Railways.

10 MR. COTE: Q. Mr. McCoy, I understand
11 you have also prepared for the Commission's
12 information a statement pertaining to the
13 railway export rates on grain through Eastern
14 Canadian and U. S. sea ports?

15 A. That is correct.

16 Q. Would you file a copy of that
17 statement as Exhibit 129?

18 ---EXHIBIT NO. 129: Statement of rail rates on
19 grain etc. to Eastern
20 Canadian and United States
ports for export.

21 A. In order that the Commission may have
22 before it the general freight rate picture
23 pertaining to railway rates on bulk grain and
24 related commodities for export, I have prepared
25 this exhibit which shows the carload rates
26 in cents per hundred pounds from the Canadian
27 Lakehead, all-rail to Eastern Canadian ports,
28 in addition the rates from so-called bay, lake
29 and river ports to Eastern Canadian ports and
30 Portland, Maine.



1 Furthermore, and in order to round out the
2 picture, I have shown the rail rates from Buffalo,
3 N. Y., to Boston, Mass., New York, N. Y.,
4 Philadelphia, Pennsylvania and Baltimore,
5 Maryland.

6 There is considerable detail shown in
7 footnotes at the bottom of page 2 of the exhibit.
8 These notes are self-explanatory and I do not
9 propose to go into them in detail. However,
10 the important point I would like to stress is
11 the fact that our rail rates from ports such
12 as Midland and Sarnia, Ontario to Halifax,
13 Nova Scotia, and Saint John, New Brunswick,
14 are the same as those carried by United
15 States railways from Buffalo to New York.
16 Taking wheat as an example, the rate from
17 Midland and Sarnia to Halifax and Saint John
18 is 21.70 cents per hundred pounds, or the same
19 as that from Buffalo to New York. These
20 rates are found, the Halifax and Saint John
21 rates, in the second numerical column from
22 the left, and the Buffalo to New York rates
23 at the right.

24 I would also like to point out that the
25 rates from Midland and Sarnia to Montreal,
26 Sorel and Quebec or St. Lawrence River ports
27 are slightly under the rates to Halifax and
28 Saint John. To illustrate this point, it will
29 be observed that the rate to St. Lawrence
30 River ports is 20.87 cents per hundred pounds,



1 on wheat, or approximately one-half cent per
2 bushel less than that to Halifax.

3 In summarizing this exhibit, I would like
4 to state that we have for some time maintained
5 our rates on a competitive basis with the rail
6 charges prevailing from Buffalo, N. Y., to
7 New York, Philadelphia and Baltimore.

8 Q. Are these the rates which apply the
9 year round?

10 A. Yes, sir, year-round rates.

11 Q. So that they are not influenced by
12 competition when the St. Lawrence is opened for
13 navigation?

14 A. No, sir. We keep our bay ports
15 and Halifax and Saint John on a competitive
16 basis with elevators located at Buffalo, New
17 York, and move grain in storage and move it
18 to New York or some other United States Eastern
19 port.

20 Q. To maintain the parity between the
21 cost for exporting through those Canadian and
22 U. S. ports?

23 A. That is correct. We have a situation
24 there where the distance from Buffalo to New
25 York is around 400 miles, whereas it is much
26 greater to Halifax, probably 1,100 or 1,150,
27 somewhere around that. In other words we
28 perform much greater service than the United
29 States lines.

30 Q. You do.



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THE CHAIRMAN: We will continue tomorrow morning at ten a.m.

---The hearing adjourned at 5:20 p.m. until 10:00 a.m. Friday, October 14th, 1955.

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